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# Insidious institutional challenges of mature MNE subsidiaries operating in weak institutional markets: Corporate governance to the rescue☆

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ABSTRACT

Insidious institutional challenges are unknown versions of known challenges that exist and persist even for mature multinational enterprises (MNEs) in host markets. Although the international business literature offers valuable insights into the significance of corporate governance mechanisms, institutions, and institutional environment relationships, a practical understanding of what insidious institutional challenges are and how they can be addressed using corporate governance mechanisms, especially in weak institutional environments, is less researched. Therefore, relying on institutional theorizing and qualitative evidence from 34 interviews with executives of mature MNE subsidiaries in Nigeria, this paper documents three insidious institutional challenges encountered by mature MNE subsidiaries: the organisational identity conundrum ('us vs them'), limited attention to social capital discordance ('bonding capital vs trust capital'), and persistent intention contradictions ('elaborate politically correct rhetoric vs limited believable action'). The study also identifies three corporate governance-related themes that mature MNE subsidiaries can utilize to manage institutional challenges: enhanced local stakeholder engagement, elevated accountability drivers, and digital technology and innovation deployment. The study advances international business literature as it sheds theoretical as well as practical insights into how mature MNE subsidiaries operating in a weak institutional context can overcome insidious institutional challenges.

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## 1. Introduction

The international business and institutional theory literature have extensively documented the institutional challenges that subsidiaries of multinational enterprises (MNEs) encounter in their host communities, especially when newly internationalising (Strange et al., 2009; Boso et al., 2023; Le Duc and Gammeltoft, 2023; Dieleman et al., 2022). In these new, unfamiliar institutional environments, MNE subsidiaries rely on established institutional mechanisms (Adomako et al., 2019; Oguji et al., 2021) to make strategic choices that facilitate legitimacy building in their host communities (Aguilera and Grøgaard, 2019; Estrada-Robles et al., 2020). What is less researched are the insidious challenges[1] that mature MNE subsidiaries[2] continue to face in their existing host markets and the mechanisms through which they can overcome these challenges (Arndt et al., 2023; Decker, 2022; Röell et al., 2024). Mature MNE subsidiaries are often characterised as well-established, long-lasting, and strategically significant subsidiaries that have successfully integrated into a local community, achieved operational autonomy, and built a strong reputation among local consumers and stakeholders. Hence, managing market entries or exits of new MNE subsidiaries significantly differs from managing mature MNE subsidiaries, due to various reasons, such as differences in resource flow between subsidiaries and headquarters, the dynamics of government interactions, and the complex relationships with local stakeholders, cultures, and practices (Röell et al., 2024).

The challenges of managing mature MNE subsidiaries become further exacerbated when these subsidiaries operate in weak institutional markets,[3] such as those found in many African countries (Pant and Ramachandran, 2017). As Arndt et al. (2023, p. 1) observe, "Subsidiaries that were established in emerging markets many decades ago require different management practices than new market entrants and indigenous firms." Once dismissed as the 'hopeless continent,' Africa is now emerging as the next frontier for global economic growth and business development (Boso et al., 2018; Amankwah-Amoah et al., 2018). While the international business literature has acknowledged Africa's growing role in global commerce (Luiz and Stewart, 2014; D'Amelio et al., 2016), its institutional markets still create certain insidious challenges for firms despite global governance and technology advancements (Nakpodia, 2023). For instance, although several African economies have implemented governance and economic reforms, especially those relating to the ease of doing business (World Bank, 2020), important questions remain on how firms can achieve responsible and sustainable business growth within the continent (Asongu et al., 2018; Adomako et al., 2019). The weak institutions in Africa allow elites to dominate (Nakpodia and Adegbite, 2018), which persistently reduces operational efficiency, increases corruption, and strengthens regulatory apathy (Amusan, 2018; Adegbite, 2011; Nakpodia et al., 2023), ultimately stifling the growth potential of MNE subsidiaries (Wiig and Kolstad, 2010). These enduring concerns have prompted a growing body of research investigating strategies organisations can deploy to respond to institutional complexities. For example, institutional pluralism has been used to explain how the differentiated organisational commitments enable firms to manage contradictions in their business models and governance strategies (Ocasio and Radoynovska, 2016). Meanwhile, other studies identify relational, infrastructure-building, and socio-cultural bridging strategies to address institutional challenges (Marquis and Raynard, 2015). Meyer and Höllerer (2016) posit that firms engage in multi-wave diffusion, using discursive neutralisation and strategic ambiguity to cope with institutional pressures. However, despite these efforts, the literature has paid limited attention to the specific role of corporate governance as a deliberate strategy for overcoming insidious institutional challenges. In particular, there remains a gap in understanding how mature MNE subsidiaries – given their longevity and embeddedness in host markets – navigate the paradox of being profitable while exhibiting robust corporate governance practices in these weak institutional settings.

In this paper, we argue that corporate governance can enable mature MNE subsidiaries to manage insidious institutional challenges effectively by providing frameworks that support organisations in maximising shareholders' wealth. This underscores the connection between international business, institutionalisation, and corporate governance, as corporate governance stresses MNEs' integration with their institutional environments (Liedong, 2017; Ali et al., 2023). This interaction between good corporate governance practices and the adverse institutional environment in many African countries portends undesirable consequences for the continent's ability to unlock its potential (Adomako et al., 2019). Given that context-specific empirics can extend international business scholarship (Adomako et al., 2017; Oguji et al., 2021), it is imperative for international business literature to explore how corporate governance mechanisms can help mature MNE subsidiaries overcome insidious institutional challenges. Consequently, our research questions are anchored on the following:

*What are the insidious institutional challenges mature MNE subsidiaries face when operating in their existing weak institutional markets? How can they employ corporate governance mechanisms to deal with these challenges?*

Drawing on the institutional theory and insights from semi-structured interviews with 34 executives in mature MNE subsidiaries in Nigeria, this research makes two important contributions to the literature. Firstly, using institutional theory articulation, we contribute to international business theorisation by uncovering the insidious institutional challenges faced by mature MNE subsidiaries in their existing weak institutional contexts. Specifically, in response to calls for further research on post-establishment issues faced by MNEs (Adomako et al., 2017; Arndt et al., 2023; Oguji et al., 2021), this study sheds light on three key, insidious challenges: the organisational identity conundrum ('us vs. them'), social capital discordance ('bonding capital vs. trust capital'), and persistent intention contradictions ('elaborate politically correct rhetoric vs. limited credible action'). By theorizing these challenges as persistent and structurally embedded features of mature subsidiary life, this study extends international business theory on MNE subsidiary

[1] Insidious challenges are unknown versions of known challenges that result in complex issues (van der Heijden, 2021).

[2] Mature MNE subsidiaries are those that were established in their host markets many years ago (Arndt et al., 2023).

[3] Weak institutional contexts are characterised as being poor in regulatory quality, high in corruption, and low in government effectiveness (Kaufmann et al., 2008).

behaviour in the post-establishment phase. Drawing on institutional theory, which stresses the role of institutions in influencing firm behaviour, their legitimacy, and survival (Chang, 2023; Aguilera and Grøgaard, 2019), we shift the analytical lens from broad institutional constraints to the more granular, subsidiary-level dynamics that shape the long-term survival and strategic adaptation of mature MNE subsidiaries. Secondly, we contribute to the literature on the nexus of international business and corporate governance (e.g., Abor and Fiador, 2013; D'Amelio et al., 2016) by theorizing how mature MNE subsidiaries can leverage corporate governance frameworks in weak institutional settings. Specifically, we identify three governance-related mechanisms — enhanced local stakeholder engagement, elevated accountability drivers, and the strategic use of digital technology and innovation that mature MNE subsidiaries use to navigate insidious institutional complexities and difficulties in the Nigerian operating environment. Rather than advocating for standardized governance models that often overlook local institutional nuances, our study highlights the importance of tailoring governance practices to align with the socio-political and cultural realities of host markets. This approach extends current governance theory by foregrounding subsidiary-level agency in adapting global frameworks to local constraints.

The rest of the paper proceeds as follows. Section 2 presents the theory and literature, while Section 3 discusses the research methodology. Section 4 highlights the empirical findings, and Section 5 articulates the contributions of the study and concludes the research.

## 2. Literature review

### 2.1. *Institutional theory and corporate governance*

Unlike most theoretical viewpoints, institutional theory (IT) encompasses an eclectic set of perspectives highlighting the significance of institutions in entrepreneurial endeavours (DiMaggio and Powell, 1983; Scott, 2014; Le Duc and Gammeltoft, 2023). While it stresses the role of institutions in influencing firm behaviour (Chang, 2023), institutional theory explains how organisations and individuals conform to established norms, values, and rules in institutional settings to gain legitimacy and deal with challenges that enable the firm to survive in their environment (Aguilera and Grøgaard, 2019). Institutional theory has also had a profound impact on firm operations (DiMaggio and Powell, 1983). In addition to defining organisational practices and processes, it affects how institutional forces influence firm behaviour (Ocasio and Radoynovska, 2016). Li and Sun (2017) explain further that institutional theory impacts stakeholder perceptions because it allows stakeholders to evaluate firm performance based on how well it conforms to institutional norms and expectations. Given the complex, ambiguous, and conflicting nature of institutional environments, institutional theory serves two fundamental purposes in helping firms navigate their institutional difficulties. Firstly, the theory offers support that accelerates firms' understanding of the institutional challenges they face, and secondly, enables them to develop strategies that address the challenges (Boso et al., 2023). Organisations can leverage their own resources and capabilities to identify opportunities for institutional entrepreneurship, allowing them to introduce new practices or challenge existing norms and values to establish novel institutional practices (Liedong, 2017).

Similarly, the corporate governance concept[4] also emphasises the significance of firms' compliance with institutional elements, e.g., regulations, to secure legitimacy and succeed in their operating environment. While institutional theory underlines the role of institutions in economic activities (Le Duc and Gammeltoft, 2023), corporate governance requires that firms operate transparently, ethically, and responsibly while adhering to institutional principles in their stakeholder relationships, decision-making processes, and corporate social responsibility practices (Ali et al., 2023). Moreover, as institutional theory demands that firms must overcome their complex institutional environments and adapt to dynamic institutional expectations, Doni et al. (2022) note that corporate governance can help attain these goals by stimulating continuous improvement, broadening stakeholder engagement, and entrenching responsible risk management. Overall, empirical evidence suggests that institutional theory and corporate governance are complementary, as both seek to foster responsible corporate conduct (Abor and Fiador, 2013; Bhaumik et al., 2019; D'Amelio et al., 2016).

### 2.2. *Insidious institutional challenges of mature MNE subsidiaries*

The institutional theory contends that both formal and informal institutions matter, with implications for MNEs and the economic development of countries (DiMaggio and Powell, 1983). The theory's underlying logic admits that institutions entrench the arrangement of rules and incentives and how members behave in response to these fundamental attributes of institutions (Scott, 2014). However, due to institutional variations, the institutional distance between MNEs' home and host countries produces various challenges. Those challenges further reinforce the necessity of MNEs to establish mechanisms to overcome institutional difficulties. This is especially critical for mature MNE subsidiaries in their existing host communities, where the challenges might be more insidious (Röell et al., 2024). Insidious challenges are the unknown versions of known challenges that persist in an environment (van der Heijden, 2021). Hence, although mature MNE subsidiaries are accustomed to existing institutional challenges, which MNE subsidiaries will face if they newly internationalise to an unfamiliar environment, there is scarce literature on insidious institutional challenges such as those caused by political embeddedness (Meyer et al., 2011), state capture, globally converging culture and social awareness and modern challenges such as digital technology disruption (Arndt et al., 2023). These insidious institutional challenges create a situation where business-community ties become different for mature MNE subsidiaries in their host environments. Yet, we have limited practical

[4] Corporate governance of firms is a set of mechanisms that firms use to gain legitimacy, achieve competitive advantage, and overcome institutional challenges (Bhaumik et al., 2019).

insights into what these insidious challenges are.

For instance, Siegel (2007) indicates that politically embedded firms face a dark side of embeddedness - if having ties with political enemies of those holding power - which can lead to harsher enforcement of taxes and laws, resource exclusion, discrimination, and even expropriation. On the positive side, however, the benefits of political connections, which include higher profitability and market share (Peng and Luo, 2000), easier access to credit (Khwaja and Mian, 2005; Leuz and Oberholzer-Gee, 2006), and government bailouts in times of financial distress (Faccio et al., 2006) can accrue to mature MNE subsidiaries. Thus, when it comes to legitimacy, insidious challenges can have both positive and negative effects on mature MNE subsidiaries (Arndt et al., 2023). Moreover, mature subsidiaries often face conflicting demands from their headquarters and difficulties due to cultural differences and conflicting institutional logic of the home and the host markets. At the same time, they do not require so much support from their headquarters (compared to their early stages) and can, instead, bring talent, technology, and finances back to headquarters (Arndt et al., 2023; Dellestrand and Kappen, 2012). Nevertheless, how mature MNE subsidiaries navigate these insidious challenges and continuously influence their complex institutional host environments remains unclear, especially since attempts to shape these institutions might be viewed as intrusions into the norms, rules, and identities of the local communities (Röell et al., 2022). This becomes even more complex when mature subsidiaries are embedded in weak institutional environments, which we explore next.

#### 2.2.1. *Institutional challenges of mature MNE subsidiaries operating in a weak institutional environment*

Institutional challenges stem from weak regulatory structures, political instability, and pervasive corruption (Liedong, 2017; Amankwah-Amoah et al., 2018; Nakpodia and Adegbite, 2018) while hindering MNEs' ability to operate efficiently and build trustworthy relationships with local stakeholders (Amusan, 2018). Given the plethora of known institutional challenges, this study narrows its focus to the four main areas. First, MNE subsidiaries' effectiveness is closely tied to country-level institutional quality, which encompasses the rules, norms, and practices shaping economic behaviours and the state's ability to provide public goods and services (D'Amelio et al., 2016; Obenpong Kwabi et al., 2023). While this has been primarily studied in new subsidiaries (e.g., Obenpong Kwabi et al., 2023), we argue that mature subsidiaries also rely heavily on the quality of institutions as the basis of their continuous and sustainable development. In a weak institutional environment, mature MNE subsidiaries face significant known institutional challenges, such as corruption, bureaucratic inefficiencies, legal uncertainty, and political instability.

These known institutional weaknesses hinder market entry, reduce efficiency, and increase corruption risk, yet create unknown challenges even for mature MNEs (Wiig and Kolstad, 2010). For example, Amusan (2018) highlighted corruption and political instability as significant obstacles for subsidiaries in Nigeria - a country with weak institutions (Nakpodia et al., 2023), while Mbaku (2014) noted that weak legal systems in many African countries still complicates contract enforcement and intellectual property protection, raising operational costs for MNEs. Industry-specific studies further illustrate these challenges. Mangena et al. (2012) demonstrated that poor institutional quality continues to undermine investment decisions and stability in Africa's banking sector. Similarly, Fagbemi and Ajibike (2018) emphasised the role/lack of strong governance and institutions for the financial development of MNE subsidiaries in a weak institutional setting. Mangena et al. (2012) also linked institutional quality to corporate structures, using data from the Zimbabwean Stock Exchange to demonstrate how governance impacts a firm's boards and ownership arrangements. Although these issues are critical for all foreign-owned businesses, however, newer entrants and mature subsidiaries experience them differently. For example, new subsidiaries must overcome the liability of foreignness (Zaheer, 1995) and learn to navigate local norms, while mature subsidiaries must consistently refine their operations to remain aligned with changing institutional realities. As a result, this section predominantly focuses on mature subsidiaries, whose longer-term presence makes them more susceptible to entrenched problems that arise from weak regulatory or enforcement mechanisms.

Second, corruption and bureaucratic inefficiencies in weak institutional environments often force MNE subsidiaries to engage in informal agreements, raising operational costs and increasing regulatory unpredictability (Busse and Hefeker, 2007). Many of these countries (e.g., such as Nigeria) consistently rank among the most corrupt globally, with corruption posing a significant barrier to business growth and investment. Issues like bribe demands from government officials, delays in permit issuance, and opaque regulations undermine the rule of law and institutional frameworks, threatening the sustainability of MNE operations (Otusanya, 2011) while also limiting access to finance and effective local regulations (Krambia-Kapardis & Zopiatis, 2006). Corruption amplifies business costs, weakens institutional efficiency, and disrupts economic growth, creating a challenging environment for MNEs (Busse and Hefeker, 2007; Abed and Gupta, 2002). It also encourages unfair competition and regulatory unpredictability, further complicating operations (Baker & McKenzie, 2015). Furthermore, reputational risks are another consequence of operating in high-corruption environments (Luiz and Stewart, 2014). MNEs, like large oil and gas firms in Nigeria, have suffered reputational damage and are often viewed as complicit in corrupt systems to sustain operations (Agbiboa, 2012). Berghoff (2018) details similar accounts of Siemens' (one of the world's leading electrical engineering corporations) operations in Nigeria and the attendant reputational damage. Corruption also obstructs subsidiaries' corporate social responsibility efforts, fostering negative perceptions and restricting their ability to address local challenges effectively, thus deepening institutional complications (Waddock and Graves, 1997). As a result, subsidiaries are forced to operate defensively, potentially harming their corporate prospects. Finally, more informed public perceptions of corruption continue to damage corporate reputations, forcing MNEs to adopt governance strategies to build trust and legitimacy in local communities (Luiz and Stewart, 2014; Nakpodia et al., 2023).

For newly arrived MNEs, corruption and bureaucratic hurdles can deter or delay entry entirely, as they lack established networks and may be unprepared for corrupt demands (Uhlenbruck et al., 2006). Conversely, mature MNE subsidiaries, while often possessing deeper knowledge of local systems, may find themselves locked into corrupt arrangements that have gradually become intertwined with their operational processes (Rodriguez et al., 2005). These long-standing relationships can be difficult to disrupt without jeopardizing supply chains, political ties, or business continuity. Thus, corruption affects both new entrants and well-established firms, but the coping strategies evolve as a subsidiary becomes more embedded. Mature subsidiaries might dedicate more resources to anti-corruption compliance or "damage control" measures, whereas newer entrants might strategically avoid certain regions or industries deemed prone to malfeasance.

Third, international cultural diversity poses a significant institutional challenge for MNEs due to varied cultures, languages, and customs (Fearon, 2003; Yahiaoui et al., 2021). These differences continue to lead to misunderstandings, miscommunications, and conflicts with local stakeholders, complicating subsidiaries' operations (Ekhator, 2018). Indeed, Western-based corporate governance models often clash with local legal and cultural norms, undermining the effectiveness of legal institutions and creating tensions with host governments (Areneke and Kimani, 2019; Scott, 2014). Cultural differences also affect the adoption of corporate governance practices. For example, Attah-Boakye et al. (2020) found that cultural values shape boardroom gender diversity, R&D investment, and corporate innovation strategies, while Adegbite et al. (2013) highlighted the influence of trust, respect, and loyalty on local perceptions of corporate governance practices. Nakpodia and Adegbite (2018) noted how cultural elites in Africa exploit institutional voids to undermine corporate governance effectiveness, creating additional challenges for MNEs. Finally, cultural variations also shape MNEs' corporate social responsibility strategies. Western-centric corporate social responsibility models of MNEs often clash with local norms and values, creating conflicts with local stakeholders and hindering policy implementation (Muthuri and Gilbert, 2011). Furthermore, cultural differences usually affect MNE subsidiaries' ability to attract, train, and retain local talent, impacting their operational success (Kamoche et al., 2012).

These cultural barriers also affect newcomers as they attempt to localize management practices and engage local employees, suppliers, and regulators. However, mature subsidiaries face their own dilemmas. Over time, an MNE's local workforce may develop its own subculture or norms that deviate from the corporate headquarters' expectations, creating friction if not properly managed (Kostova, 1999; Adegbite and Nakajima, 2012). Furthermore, cultural biases within mature subsidiaries can become entrenched: managers who have operated in the same environment for years might overlook shifting cultural dynamics, failing to adjust policies or practices accordingly. As a result, misunderstandings can deepen if there is insufficient emphasis on cultural intelligence. Therefore, while cultural diversity is a universal concern, it can escalate in complexity for subsidiaries with a longer history in the host country, as corporate and local cultures become increasingly interlinked.

Fourth, MNE subsidiaries often play a significant political role in weak institutional markets (e.g., Detomasi, 2015; Josiah and Akpuh, 2022; Röell et al., 2024), leveraging social and political ties to reduce risks, gain resources, and influence regulatory policies (Carney et al., 2016; Hillman et al., 2004; Okhmatovskiy, 2010). Mature MNE subsidiaries, with their extensive local experience, are better positioned to navigate political shocks (Frynas et al., 2006; Mbalyohere and Lawton, 2018; Pant and Ramachandran, 2017), though such involvement can be costly (Sun et al., 2010). While some argue that MNEs positively contribute to host country development (Garrone et al., 2019; Luiz and Stewart, 2014), others highlight their potential to undermine democratic processes and institutions (Otusanya, 2011). In Africa, MNEs are increasingly seen as political actors due to their economic power, size, and investments, which enable them to influence policy decisions (Hackett, 2016; Josiah and Akpuh, 2022). However, their political activities, such as lobbying and political donations, often prioritize corporate interests over local welfare, exploiting weak regulatory frameworks for preferential treatment (Nakpodia et al., 2023; Liedong et al., 2023; Luiz and Stewart, 2014). These practices can erode trust within local communities, fueling resistance and deepening institutional challenges (Otusanya, 2011). Besides, MNEs' political influence has also been linked to environmental degradation and exploitation in Africa (Eweje, 2006; Josiah and Akpuh, 2022). For example, they frequently prioritize profits over environmental and social responsibilities, contributing to ecological harm and social unrest, as seen in the Niger Delta area of Nigeria (Eweje, 2006). Double standards are evident, with stricter environmental practices demanded in their home countries compared to host nations. This conduct exacerbates tensions, disrupts communities, and complicates the business environment for MNE subsidiaries. Boso et al. (2023) also noted that MNEs' intervention in the political space of some African countries makes them complicit in human rights violations. These dynamics highlight the complex and controversial role of MNE subsidiaries as political actors in Africa.

Newer entrants may engage in political activities to secure licenses, permits, or favourable regulations during market entry. However, their influence is often limited by shorter operating histories and weaker connections (Hillman and Hitt, 1999). By contrast, mature subsidiaries commonly develop extensive political ties that shape, and at times distort, regulatory frameworks over multiple years (Okhmatovskiy, 2010). On the one hand, such influence can help stabilize their operations, safeguard investments, and facilitate infrastructure projects. On the other hand, prolonged involvement in local politics can produce accusations of corporate capture or undue influence, potentially triggering local dissent and international criticism (Detomasi, 2015). Thus, while political navigation is a critical factor for all MNEs operating in weak institutional settings, the depth of local engagement and the associated responsibilities are often magnified for long-established subsidiaries.

In acknowledging these challenges, it is important to clarify that institutional weaknesses, spanning corruption, cultural diversity, political entanglements, and regulatory deficiencies, apply to both newly established and long-standing foreign subsidiaries. Nonetheless, mature MNE subsidiaries tend to experience these issues through a more entrenched lens, given their extended histories, ongoing investments, and deeper local embeddedness (Kostova and Roth, 2002). They often have more to lose - economically, socially, and reputationally - if local institutions fail or if political currents shift abruptly. This heightened risk exposure reinforces the need to explore strategies specifically tailored to mature subsidiaries, such as cultivating robust corporate governance, investing in adaptive leadership, and engaging in collaborative stakeholder relations that prioritize ethical conduct (Zaheer, 1995).

### *2.3. Overcoming insidious institutional challenges in Nigeria: Corporate governance to the rescue*

Despite the numerous insidious and known institutional challenges as highlighted in the sections above, many weak institutional environments possess abundant natural resources, an expanding consumer base, and economic growth potential, which makes them remain an attractive environment for MNEs (Boso et al., 2018; Luiz and Stewart, 2014). Besides, reforms aimed at improving the ease of doing business (albeit less efficient) signal gradual institutional strengthening and economic stability (World Bank, 2020). For example, Nigeria, which emplifies a weak institutional environment where insidious institutional challenges persist, is a strategic setting with a growing middle class that continues to offer MNEs opportunities for long-term market success (Nakpodia et al., 2023). It is, therefore, unsurprising that mature MNE subsidiaries remain actively engaged in developing strategies to address the pervasive insidious institutional challenges in the country. To address these challenges, MNEs can employ enhanced corporate governance frameworks that enhance stakeholder engagement, compliance, and adaptability, mitigating risks while capitalising on market dynamics (Abor and Fiador, 2013; D'Amelio et al., 2016). Corporate governance mechanisms can reduce information asymmetry, increase transparency, and promote ethical practices, enhancing stakeholder trust and the performance of mature MNE subsidiaries (Abor and Fiador, 2013). For instance, corporate governance variables like board effectiveness and commitment significantly boost Nigerian oil firms' process and product/service innovation (Akpan et al., 2022).

These established corporate governance mechanisms would take into cognisance social capital (Estrada-Robles et al., 2020), corporate social responsibility (Schouten and Remmé, 2006; Amaeshi et al., 2016), multi-stakeholder co-regulation (Nakpodia et al., 2018), local capability building (Van den Waeyenberg and Hens, 2012), and digital technology deployment (Ashiru et al., 2022; Kumar and Chopra, 2022). By promoting responsible business practices, mature MNE subsidiaries are better positioned to build social legitimacy, reduce conflicts, and enhance reputations (Zaman et al., 2020). Hence, promoting sustainability and ethical practices positions mature MNE subsidiaries to navigate institutional challenges better. However, the literature still lacks insights about adapted and enhanced corporate governance mechanisms that would take into account the insidious institutional challenges of mature MNE subsidiaries and provide practical insights into those challenges and how they can be overcome in weak institutional markets. Fig. 1 below presents the conceptual framework summarising all the above-mentioned arguments and shows a gap in how mature MNE subsidiaries can decipher insidious institutional challenges and deploy enhanced corporate governance mechanisms to overcome those challenges.

## 3. Methodology

This research adopts a qualitative, content-based analysis strategy to understand the insidious institutional challenges mature MNE subsidiaries face in Nigeria and how their corporate governance practices can mitigate them. Three factors inform the methodological choice. Firstly, qualitative research methods support the generation of rich data (Flick, 2022) that empowers a detailed exploration of the factors influencing corporate governance effectiveness in mitigating institutional challenges. Secondly, it facilitates the contextualisation of the findings, as it acknowledges the specific cultural, political, and economic conditions (Tremblay et al., 2021) that impact corporate governance practices and how they address institutional challenges. Lastly, the methodology allows an in-depth understanding of the experiences, perceptions, and perspectives of mature MNE subsidiaries in an African market, which can help uncover complex and nuanced issues relating to corporate governance and institutional challenges.

### *3.1. Empirical context*

This study focuses on a single context, i.e., Nigeria, with a GDP of $199.72Bn and expected real GDP growth of 3.2 % in 2025 (International Monetary Fund, 2024), remains a leading destination for foreign direct investment (FDI) in Africa and provides a highly relevant context for examining the insidious challenges mature MNE subsidiaries face in weak institutional environments. Beyond its economic size, Nigeria's complex institutional environment—characterised by regulatory inconsistencies, political volatility, and limited infrastructural support—presents unique insights for understanding how MNEs navigate institutional weaknesses to sustain operations (Amankwah-Amoah et al., 2018; Fagbemi and Ajibike, 2018). Besides, the country's rapidly expanding consumer market and abundant natural resources provide a rich context for studying corporate governance mechanisms. To boost the country's attractiveness to the foreign business community, the Nigerian government introduced several policy interventions, one of which is enacting a code of corporate governance that proposes robust guidelines for firms, including MNEs (Nakpodia et al., 2023). This research hence leverages Nigeria's unique combination of market potential and institutional obstacles to provide a nuanced exploration of the strategies MNEs employ to reconcile profitability with institutional adaptation (Boso et al., 2018; Nakpodia et al., 2023). Thus, we opine that Nigeria provides a suitable context for understanding how corporate governance channels support mature MNE subsidiaries in managing insidious institutional challenges. By studying the Nigerian case, this research enriches our understanding of how corporate governance supports mature MNE subsidiaries in navigating the country's complex institutional environments while pursuing their corporate goals.

### *3.2. Participants' selection and description*

As the largest economy on the African continent, Nigeria enjoys a strong presence of MNEs and their subsidiaries. These firms dominate the country's oil and gas, telecommunication, manufacturing, consumer goods, and financial services sectors. Typically, their boards are responsible for the overall governance of the organisations and decisions that inform how their firms tackle institutional challenges (Nakpodia and Adegbite, 2018). Consequently, executives in mature MNE subsidiaries operating in Nigeria were targeted as study participants. The unit of analysis is the subsidiaries.

Participants were recruited using a blend of strategies. Given one of the author's considerable working experiences in Nigeria and

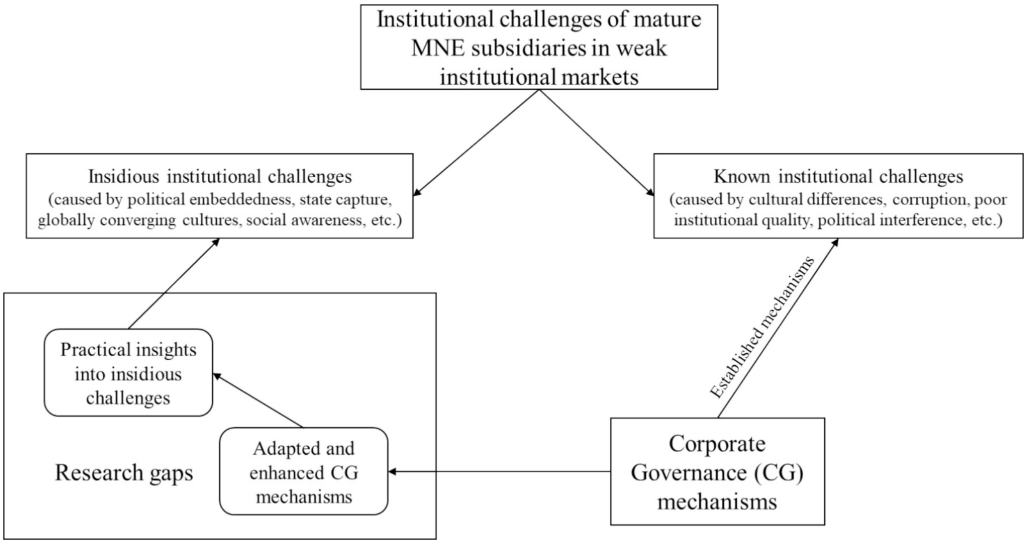


**Fig. 1.** Conceptual framework.

professional relationships with MNEs, contact was made with their executives. These executives represent the first set of interviewees in this research. In addition, the researcher contacted many executives through LinkedIn (a professional networking site) after conducting an extensive search of the most recent annual reports of MNEs in the country, targeting only mature MNE subsidiaries.[5] Lastly, this study employed the snowballing technique (Woodley and Lockard, 2016) to recruit more participants with the appropriate profile. The snowballing strategy proved helpful in recruiting most of the non-Nigerian participants in the study. These recruitment strategies helped us gain access to interviewees (Denscombe, 2010) and navigate the widely reported interviewee recruitment problem in academic research (Marshall et al., 2013). This sampling strategy culminated in the eventual engagement with 34 study participants of mature MNE subsidiaries in Nigeria between 15 and 65 years (see details in Table 1a). After conducting the 34 interviews, the theoretical saturation point was reached (Creswell and Poth, 2016). In other words, we obtained the necessary data to address our research questions. Besides, we focused on asking open-ended questions (see Appendix 1) that allowed respondents to freely share their stories and experiences without pre-set expectations or limitations (Creswell and Poth, 2016).

To ensure sample representativeness (Table 1a), we conducted a representativeness analysis based on industry, country of origin, age, and size of the sampled MNEs operating in Nigeria. Nigeria's corporate landscape hosts diverse MNEs across key sectors, including oil and gas, telecommunications, manufacturing, and finance, which reflects the industries in our sample (Table 1b). The selected MNEs also vary in age, with established operations ranging from 15 to 65 years, providing insights from mature subsidiaries with extensive experience navigating Nigeria's complex institutional environment. In addition, MNEs in our sample originate from a range of countries, including the United States, the United Kingdom, and South Africa, further supporting the study's generalizability by capturing a variety of perspectives on governance practices in weak institutional settings (Amankwah-Amoah et al., 2018). This representative spread (Table 1b) strengthens the reliability of our findings and the extent to which they apply across different MNE types and institutional conditions within Nigeria.

### *3.3. Data collection technique and procedure*

To assemble the data, semi-structured interviews were conducted to help attain a degree of comparability and to ensure an unobstructed flow of different storylines from the participants (Saunders et al., 2019). This data collection technique allows the interviewer to vary the sequence of the questions (Bell et al., 2022) and explore responses deemed significant to specific questions, thereby aiding the collection of rich data (Denscombe, 2010). Besides, this technique is the most used in qualitative research and previous interpretivist studies on corporate governance in Nigeria (e.g., Ashiru et al., 2022; Nakpodia et al., 2023).

The interviews, employing a combination of face-to-face and virtual, were undertaken over eight months between 2021 and 2022. In line with our research questions, the interview questions focused initially on what insidious institutional challenges in Nigeria frustrate mature MNE subsidiaries' operations, why, and how, before exploring how corporate governance mechanisms assist in

[5] At the moment, there is no readily available data on the number of mature MNE subsidiaries or indeed the number of foreign firms in Nigeria. This is because once a foreign firm is registered, they are reflected by the Corporate Affairs Commission as Nigerian companies. For readily available information, we use 152 listed firms on the Nigerian Stock Exchange (NGX) as a guide. Please see https://ngxgroup.com/exchange/trade/equities/listed-companies/. Hence, the 34 study participants who are employees of 34 distinct mature MNE subsidiaries, are a good representation of mature MNE subsidiaries that operate in Nigeria. Please note that not all the listed firms are MNE subsidiaries. Also, not all MNE subsidiaries are listed on the NGX.

**Table 1a**
. Participant details.

| Participants | Industry | Gender | Nationality | Experience working in the MNE (years) | Year company founded | Country of origin |
|---|---|---|---|---|---|---|
| BM01 | Financial Services | Female | Nigerian | 3 | 2008 | South Africa |
| BM02 | Oil and Gas | Male | Nigerian | 7 | 1937 | Netherlands |
| BM03 | Healthcare | Male | Nigerian | 2 | 1971 | United Kingdom |
| BM04 | Oil and Gas | Male | Non-Nigerian | 8 | 1913 | United States |
| BM05 | Telecommunications | Male | Nigerian | 7 | 2001 | South Africa |
| BM06 | Financial Services | Male | Nigerian | 5 | 1999 | South Africa |
| BM07 | Financial Services | Female | Nigerian | 16 | 1999 | South Africa |
| BM08 | Conglomerates | Male | Nigerian | 4 | 1977 | India |
| BM09 | Oil and Gas | Male | Non-Nigerian | 7 | 1955 | United States |
| BM10 | Oil and Gas | Male | Nigerian | 5 | 1955 | United States |
| BM11 | Manufacturing | Female | Nigerian | 6 | 1962 | Ireland |
| BM12 | Manufacturing | Male | Non-Nigerian | 11 | 1962 | Ireland |
| BM13 | Conglomerates | Male | Nigerian | 8 | 1977 | India |
| BM14 | Financial Services | Female | Nigerian | 12 | 1999 | South Africa |
| BM15 | Financial Services | Female | Nigerian | 10 | 2008 | South Africa |
| BM16 | Consumer Goods | Female | Nigerian | 5 | 1965 | United Kingdom |
| BM17 | Financial Services | Male | Non-Nigerian | 12 | 2008 | South Africa |
| BM18 | Financial Services | Male | Nigerian | 8 | 2008 | South Africa |
| BM19 | Telecommunications | Male | Non-Nigerian | 7 | 2001 | South Africa |
| BM20 | Telecommunications | Male | Non-Nigerian | 11 | 2001 | South Africa |
| BM21 | Telecommunications | Male | Nigerian | 9 | 2001 | South Africa |
| BM22 | Financial Services | Male | Nigerian | 10 | 1999 | South Africa |
| BM23 | Financial Services | Male | Nigerian | 5 | 1999 | South Africa |
| BM24 | Oil and Gas | Male | Nigerian | 13 | 1913 | United States |
| BM25 | Telecommunications | Female | Nigerian | 3 | 2008 | India |
| BM26 | Manufacturing | Male | Nigerian | 6 | 1960 | France |
| BM27 | Oil and Gas | Male | Non-Nigerian | 14 | 1955 | United States |
| BM28 | Oil and Gas | Male | Nigerian | 6 | 1937 | Netherlands |
| BM29 | Consumer Goods | Male | Nigerian | 7 | 1965 | United Kingdom |
| BM30 | Financial Services | Female | Nigerian | 12 | 2008 | South Africa |
| BM31 | Healthcare | Female | Nigerian | 11 | 1971 | United Kingdom |
| BM32 | Consumer Goods | Male | Nigerian | 9 | 1965 | United Kingdom |
| BM33 | Financial Services | Male | Non-Nigerian | 9 | 2008 | South Africa |
| BM34 | Financial Services | Male | Nigerian | 4 | 1999 | South Africa |

**Table 1b**
. Sample representativeness.

| Category | Characteristics | Description | Sources |
|---|---|---|---|
| **Industry** | Oil and Gas, Telecommunications, Manufacturing, Finance | The sample reflects key sectors in Nigeria's corporate landscape, each facing unique institutional challenges. | Nakpodia and Adegbite (2018) |
| **Country of Origin** | United States, United Kingdom, South Africa | Diverse country origins provide varied governance perspectives on weak institutional environments. | Study data |
| **Age of MNEs** | 15–65 years | The range of established operations highlights the experience of mature subsidiaries in managing institutional challenges. | Study data |
| **Size** | Large, Multinational | The sample includes well-established, large MNEs with the resources to implement corporate governance strategies. | Study data |

managing institutional challenges (see Appendix for the interview guide). In total, 34 interviews were conducted, 23 on Zoom (a video conferencing platform) and 11 face-to-face. Following consent from participants, 19 of the Zoom interviews and 6 face-to-face interviews were recorded, while useful notes were taken during the unrecorded interviews. The first set of interviews involved 28 participants (21 on Zoom and 7 in-person), while 6 follow-up interviews (2 on Zoom and 4 via face-to-face) were undertaken to investigate further key themes that were observed during the initial round of interviews. This staggered data collection approach is consistent with Amankwah-Amoah et al. (2022). The interviews lasted 45–60 min.

### *3.4. Data analysis*

A two-step procedure (i.e., pre-coding and coding) was employed to analyse the data. The pre-coding phase focused on preparing the data for analysis. This stage commenced with the transcription of the recorded interviews. The Otter.ai software (which allows the importation and transcription of pre-recorded audio and video files) was used to capture and output the interviews. The text output was reviewed while repeatedly listening to the recordings to ensure the text output was fit for analysis. This procedure enhanced data familiarisation and immersion. The notes made during the unrecorded interviews were also reviewed prior to analysis. The transcribed interviews, which generated 168 pages of text, were then uploaded to NVivo, a qualitative data analysis software.

The coding phase involved coding the data and categorising the emergent codes. Data coding was undertaken with the aid of NVivo. According to Bazeley and Jackson (2013), NVivo minimises mistakes associated with analysing huge amounts of unstructured data by offering tools for categorising, sorting, and organising the data to uncover themes and patterns. These benefits were crucial for this research. The coding in NVivo commenced by employing the "explore" and "word frequency" functions of the software to derive a word cloud that assisted in labelling and organising the data to detect themes and relationships. This procedure allowed in-depth exploration of the data (first-order coding) (Amankwah-Amoah et al., 2022) and aided in uncovering themes that attracted substantial reference among participants (second-order coding). These themes include trust building, local capacity building, innovation, risk management, technology, and accountability.

The next step in the coding phase and the data structure (depicted in Fig. 2) emphasised the categorisation of multiple related themes from the data, consistent with Gioia et al. (2013). To create categories that accommodate the themes, the second-order codes were repeatedly reviewed, revised, and, in certain cases, merged to generate a robust representation of the data vis-à-vis the research goals. For instance, themes such as enhanced local stakeholder engagement and stakeholder involvement were merged, as it was apparent that participants employed these terms to describe related ideas. The categorisation of the themes helped in articulating insidious institutional challenges encountered by MNEs operating in Nigeria, as well as unpacking how corporate governance mechanisms assist MNEs in Nigeria to overcome the insidious institutional challenges.

Finally, our study was designed to provide reliable data and ensure trustworthiness (Lincoln and Guba, 1985). To ensure the credibility of our findings, we kept collecting new data until the saturation point was reached. During 34 semi-structured interviews, we did not influence the interviewees' responses or interfere with their storytelling. We conducted prolonged interviews, establishing the validity of the findings (Yin, 1994). After the data analysis, we asked respondents to confirm the accuracy of our findings, which improved the quality of our study and trustworthiness. Finally, by providing details of our research design and data collection protocol, we ensured the reliability of our findings.

## 4. Findings

In line with our research questions, the data uncovers two primary areas of interest: 1) insidious institutional challenges confronting mature MNE subsidiaries operating in Africa and 2) enhanced Corporate Governance mechanisms for overcoming insidious institutional challenges. Below, we present the main findings of this study.

### *4.1. Insidious institutional challenges confronting mature MNE subsidiaries*

#### *4.1.1. The organisational identity conundrum (us vs them)*

Organisational identity illustrates how members of an organisation think about who they are (Fortwengel, 2021). This perception can also evolve, which becomes crucial for mature MNE subsidiaries (Arndt et al., 2023). While subsidiaries that have just accessed a new market bear an identity that is an extension of their headquarters, mature MNE subsidiaries often create a local identity due to their prolonged embedded in the community (ibid.). This becomes critical as subsidiaries continuously seek to adopt models that preserve their identities while accommodating dominant host environment attributes (Vaara et al., 2021). Munjal, Budhwar, and Pereira (2018) also acknowledge identity dilemmas that pose severe challenges to MNE operations. In our data, 19 interviewees responded to their continuous relationship and embeddedness into the host communities, indicating that identity concerns among mature subsidiaries still exist. BM09 drew on the issue of bribery to discuss organisational identity:

*In this environment, there was a mismatch between our corporate values and beliefs and the cultural values here from the beginning. These differences create additional institutional issues for us to contend with. As you probably know, bribery is a good example. As a corporate policy, we do not offer bribes, but most people you engage with here would expect you 'to grease their palms' before doing anything for you.*

This quote indicates the challenges that continuously occur when mature subsidiaries attempt to reconcile their global MNE identity with the need to be relevant and adaptive to the local context. As Vaara et al. (2021) argue, there is often a mismatch between dominant organisational values and those of the host communities. BM05 comments on the extensiveness of the problem:

*Managing bribery is difficult when (key stakeholders) like traditional chiefs and community leaders are involved. You often need their (blessing) to continue operating in this environment.*

Furthermore, BM32 discusses the implication of BM05 and BM09's comments:

*It is a problem doing business in this environment without 'settling' (*i.e.*, bribing) some people. Lots of businesses like ours have left this area because of this problem.*

While participants attempted to rationalise this concern, a recurring observation during interviews was the palpable strategic disconnection between mature MNE subsidiaries' identity and the identity of their host market. For instance, BM19 enlightened that:

*Most of them behave as if we are here to take advantage of them and rip them off. So, they don't see us as partners in progress. When dealing with us, they organise themselves in a way that helps them achieve their personal goals. You could sense they are not really bothered about the effects of our activities as long as they get their dues.*

BM07 offers further evidence that reinforces the 'us vs them' stance from host community members:

*The people in this place deal with us based on their previous experiences with other subsidiaries. They feel other companies have cheated them; hence, they are motivated by personal gain, which is usually inconsistent with the objectives of firms like ours.*

According to BM29, these discrepancies between organisational identities can often create financial losses:

*This is why they are insensitive and out of touch with our plans. This also leads to resistance to the operations of many companies, meaning more (financial resources) are committed to doing business.*

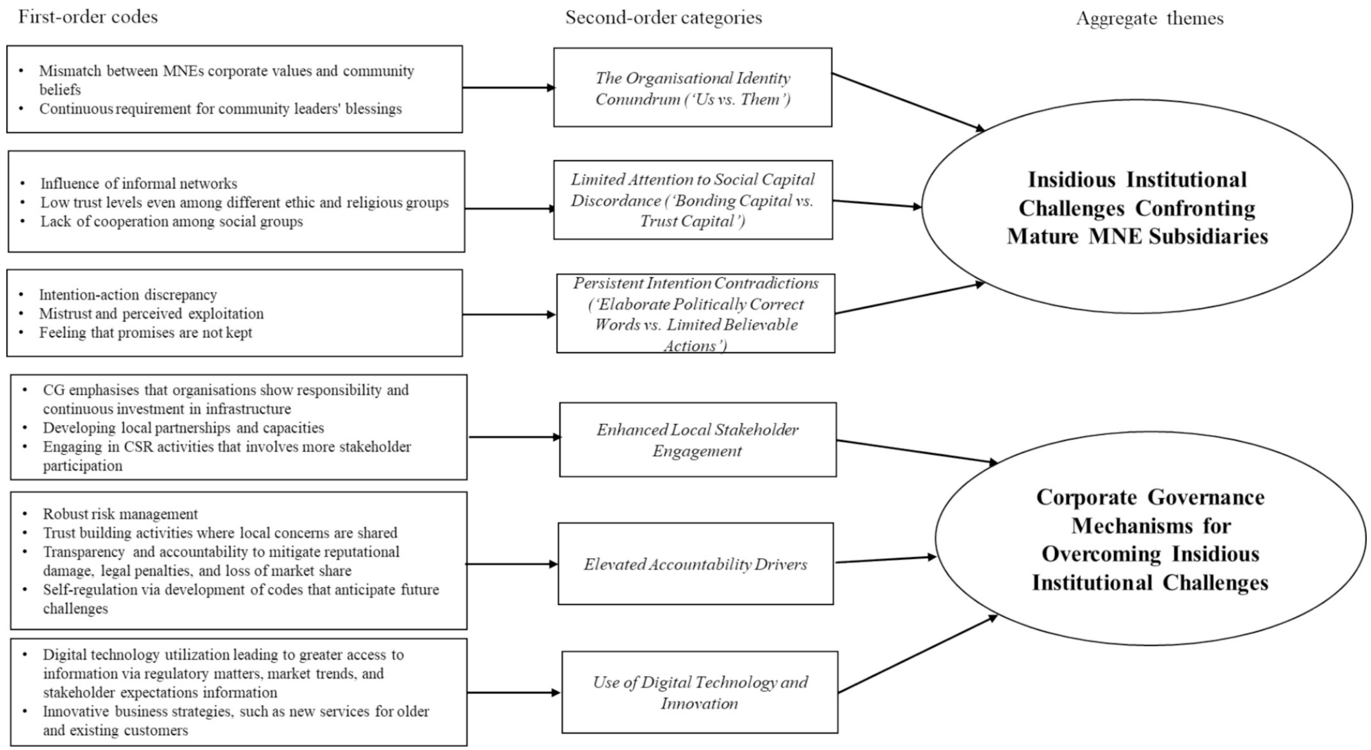


**Fig. 2.** Data structure.

Overall, this organisational identity conundrum is an insidious challenge requiring significant resources. It also explains why local stakeholders may resist the good intentions of mature subsidiaries. As Areneke and Kimani (2019) also assert, this challenge informs the necessity to achieve equilibrium between global and host identities while maintaining consistency in corporate values and culture.

*4.1.2. Limited attention to social capital discordance ('bonding capital vs trust capital')*

In Africa, social capital represents a focal aspect of the institutional environment that shapes the behaviour of individuals and firms. According to Booth-Bell (2018), social capital embodies the norms, networks, bonds, and trust that foster cooperation and coordination among societal actors. Participants' accounts suggest a discordance in the social capital that mature MNEs possess. On the one hand, mature MNEs have, over the years, accrued bonding capital through corporate social responsibility activities in their local communities. On the other hand, the mature MNEs have paid inadequate attention to trust capital. Meanwhile, the lack of trust produces continuous insidious institutional challenges for mature subsidiaries operating in Nigeria. BM33 referenced how the lack of attention to trust capital in informal networks and relationships of mature MNEs triggers insidious institutional challenges for subsidiaries:

*Maybe MNEs need to pay greater attention to the importance (of developing trust) among their informal networks and relationships in African business environments. What you find is that informal networks of family, clan, and ethnic affiliations often have more influence on business operations and decisions than formal institutions. However, paying limited interest to these informal institutions makes it difficult for subsidiaries to manage institutional problems and secure the cooperation of key people in the host community.*

Given the informal nature of Nigeria's institutional environment, focusing on bonding capital leads to a lack of trust between different groups in the host community, poor communication, and conflicts that frustrate the attainment of corporate goals of the mature MNEs. For example, BM02 informed that:

*In dealing with people in our communities, I have observed how the lack of trust between different social groups and institutions creates challenges for MNEs. Due to problems, mainly corruption, trust levels between ethnic, religious, and regional groups are consistently low. It is as if they all have competing interests that may be difficult for MNE subsidiaries to consider. The lack of cooperation and competition between these social groups makes it difficult for companies to establish partnerships with local firms and communities.*

Hence, our findings align with previous research on how limited attention to social capital discordance, obtainable from relationships and networks that firms build with their stakeholders and communities (Estrada-Robles et al., 2020), accelerates (insidious) institutional challenges in Nigeria (Booth-Bell, 2018).

*4.1.3. Persistent intention contradictions ('elaborate politically correct rhetoric vs limited believable action')*

The benefits accruable from mature MNE subsidiaries motivate their growth and penetration on the African continent. However, our participants posit that there are persistent contradictions in the intention of mature MNE subsidiaries. This aligns with studies that have reported adverse effects of the intentions of MNEs' presence in Africa, with subsidiaries being accused of shirking their responsibilities (Amusan, 2018; Ekhator, 2018). For instance, BM18 explained the persistent intention contradictions:

*One of the problems we have when dealing with people here is a lack of trust. There is a feeling that we do not live up to our promises.*

BM14 echoed similar thought:

*Often, the local communities do not believe we are here to develop a mutually beneficial relationship. They act as if we are here to exploit their God-given resources.*

Ultimately, the mature MNEs appear good at presenting elaborate politically correct rhetorics but limited believable actions back these words.

Having said that, several participants (e.g., BM02, BM14, BM22) explained that host community stakeholders restrict MNE subsidiaries' ability to 'walk the walk'. BM22 argued that:

*We regularly propose programmes to help the local community, but when the key community representatives are uncooperative or prefer to achieve personal goals, it becomes difficult for us to implement our plans.*

This quote aligns with Tashman et al.'s (2019) findings, who suggested that in the delivery of corporate social responsibility, MNEs 'talk the talk' with minimal evidence of 'walking the walk'.

To summarise, like Ekhator (2018) and Amusan (2018) report, our participants suggest that there is a discrepancy between what subsidiaries say and what they do. This evidence stresses the significance of aligning corporate values with actions and demonstrating a commitment to good corporate governance practices.

## *4.2. Corporate governance mechanisms for overcoming insidious institutional challenges*

*4.2.1. Enhanced local stakeholder engagement*

Responses from participants stress that in overcoming institutional challenges, there is a need for active stakeholder engagement and participation in mature MNE subsidiaries' decision-making processes. Ayuso et al. (2014) contend that corporate governance is critical in ensuring that companies engage with their stakeholders and maximise existing relationships. This becomes even more critical in the case of mature MNE subsidiaries due to their continuous investment in local infrastructure, building local capacity and capability, developing local partnerships, and engaging in corporate social responsibility activities (see Table 2/Appendix 2).

*4.2.1.1. Continuous investment in local infrastructure.* Respondents (BM09, BM24, and BM28) note that a major institutional challenge confronting their subsidiaries is the poor local infrastructure, which frustrates their productive activities. BM24 reflects on the challenges of continuing business with inadequate infrastructure to support operations sufficiently, even after initial investments. Consequently, participants explain how their firms have adopted corporate governance principles to drive continuous investments in local infrastructure. BM09 states that:

*Corporate governance emphasises that organisations show responsibility towards their stakeholders. My company has invested significant resources in supporting the local community by constructing roads and providing clean water.*

*4.2.1.2. Building local capacity and capability.* The data evidence further indicates that mature subsidiaries in Nigeria have employed local capacity and capability building to overcome some of the institutional challenges. Given the initial scarcity of specialist skillsets required to undertake certain tasks in their operations, subsidiaries resorted to developing the capabilities of potential workers in their host communities. BM04 explains how they navigated this challenge:

*When we were planning to move to this country, a significant challenge we anticipated was the shortage of skilled labour required for our operations. As a result, we established an academy here and encouraged engineering graduates to enrol. The academy now trains people who then go on to take up offers from us or other companies.*

Comments from other participants (e.g., BM05, BM11, BM26, and BM32) were consistent with those shared by BM04. However, BM05 notes that activities designed to build capacity were critical in gaining legitimacy among locals as the initial frustrations surrounding the subsidiary's presence in the area subsided. BM32 added that their capability development programmes were consistent with the local government's capacity-building initiatives, strengthening the firm's reputation among locals and the government.

*4.2.1.3. Developing local partnerships.* As participants infer, investments in local infrastructure and capacity development allowed mature subsidiaries to form partnerships with individuals and groups in their host communities. Robust corporate governance practices assisted MNEs in establishing transparent and accountable procedures that support the identification, selection, and engagement with local partners (Ayuso et al., 2014). This further promoted trust and confidence between mature subsidiaries and local partners. BM13 articulates this view:

*Our corporate reputation helps us to forge partnerships with established and reputable local charities. Such partnerships enable us to deal with petty problems that normally arise when dealing directly with locals [a form of an institutional challenge]. For instance, we partnered with WaterAid Nigeria [a global charity] to deliver potable drinking water to several water-stressed communities.*

The above account further unearths how mature subsidiaries attempted to address contrasting objectives, i.e., maximising firm wealth over time and improving the economy and well-being of individuals in their host communities whilst navigating institutional challenges. BM19 offers an additional rationale, elaborating on the importance of forming local partnerships to deal with various social, political, economic, and cultural problems they are continuously facing in local communities.

*4.2.1.4. Engaging in corporate social responsibility activities.* Corporate governance advocates that MNEs are accountable to their stakeholders, ensuring that subsidiaries act in a socially responsible manner that considers all stakeholders' interests (Muthuri and Gilbert, 2011). Corporate social responsibility engagement attracted considerable attention among participants while discussing how their subsidiaries overcome institutional challenges. For instance, BM12 informs that:

*We have implemented various corporate social responsibility initiatives to address problems such as poverty, climate change, and human rights violations. Our actions in addressing these challenges create a positive effect on the community and allow us to gain easier support for our future programmes.*

Comments from BM03 corroborate the above comment, indicating that their engagement in corporate social responsibility activities allows them to successfully collaborate with the local government, various NGOs, and members of the community to co-create solutions to institutional challenges.

Overall, the findings suggest that mature subsidiaries in Nigeria seek to maximise local stakeholder engagement by continuously investing in local infrastructure, building local capacity and capability, developing local partnerships, and engaging in corporate social responsibility activities. By doing so, they reinforce their presence and legitimacy in the local community (DiMaggio and Powell, 1983), thus enhancing their connections with stakeholders. This is consistent with previous research emphasising the importance of enhanced local stakeholder engagement in strengthening corporate social responsibility and reputation (e.g., Doni et al., 2022). These findings have important implications for mature MNE subsidiaries in Nigeria, highlighting the need for proactive measures to enhance engagement with their host communities to overcome institutional complexities.

*4.2.2. Elevated accountability drivers*

According to our interviewees, mature MNE subsidiaries can elevate accountability drivers through more transparent and active external stakeholders' participation and a more accountable corporate reporting process (Dawkins, 2014). Responses from interviewees show how mature MNE subsidiaries develop a blend of corporate governance mechanisms into elevated accountability drivers, which they deploy to resolve insidious institutional challenges. These elevated accountability drivers are grouped as robust risk management, trust building, transparency and accountability, and self-regulation of sustainability initiatives.

*4.2.2.1. Robust risk management.* The data indicates that mature subsidiaries in Nigeria create and maintain continuous and robust risk management systems to deal with institutional difficulties. BM06 gives an example of how risk management helps in dealing with institutional challenges:

*We face a lot of regulatory uncertainty here, which impacts our operations. We use tools such as scenario planning, stress testing,* *contingency planning, and other risk management mechanisms to assess the potential impact of such regulatory uncertainty and to develop strategies to manage it.*

*4.2.2.2. Trust building.* As a fundamental corporate governance principle, trust building facilitates the emergence of an environment where stakeholders feel confident that firms are acting in their best interests (Crane, 2020). This view underpins the trust-building proposition among interviewees. BM24 states that:

*You know, the locals always have a negative perception of our operations [oil and gas]. Therefore, it was important to gain their trust by assuring them that our business would benefit them directly. This is why we established a system where we regularly communicate and meet with the locals. During these meetings, they share their concerns, and we discuss how we would resolve them.*

While BM01 shared similar thoughts, especially concerning promoting open communication and a willingness of their subsidiary to listen and respond to concerns raised by local stakeholders, BM13 emphasised the reputational benefits of gaining trust with locals via dedicated ongoing programs in which locals are actively involved (see Table 2 for a direct quote).

*4.2.2.3. Transparency and accountability.* In addition to risk management and trust-building, transparency and accountability in the relationship between subsidiaries and their stakeholders are key corporate governance instruments (Shaoul et al., 2012). As the data evidence implies, transparency and accountability could be used to minimise the impact of institutional challenges on mature subsidiary operations. For instance, BM15 discusses how their organisation leverages transparency to mitigate risks in institutional environments:

*We know that transparency in ensuring access to our company information can deepen trust with our customers and regulators. Such transparency helps us to mitigate risks like reputational damage, legal penalties, and loss of market share.*

Some interviewees (BM02, BM08, and BM14) focused on how corporate accountability assists in overcoming institutional difficulties. Particularly, BM08 highlights that:

*We strive to be accountable for our actions and to fulfil our legal and ethical obligations to all stakeholders. By being accountable, we can develop solid relationships with the local people and government to help us secure favours [*e.g.*, government patronage] from them.*

*4.2.2.4. Self-regulation.* Self-regulation is an increasingly growing phenomenon that firms employ to enhance their corporate governance practices (Nakpodia et al., 2018), as more firms regulate themselves without formal intervention from external regulators. Regarding this, participants' comments (BM17, BM21, BM25 and BM34) provide evidence that mature subsidiaries in Nigeria are employing this strategy to cope with insidious institutional challenges. BM21 reflects on why their organisation developed internal rules and standards:

*Our codes of conduct help regulate ourselves beyond the basic expectations of regulatory agencies. With our codes, we can anticipate and mitigate potential institutional challenges, such as bribery and corruption, before they occur. Using these codes lowers the probability of negative impacts on our company.*

To summarise, the findings show that mature MNEs can adopt robust risk management practices as well as self-regulation to manage the insidious institutional challenges confronting them, aligning with the previous studies (Nakpodia et al., 2018). It also indicates that trust-building and transparency cannot be overemphasised because corporate governance variables enhance stakeholder commitment and create goodwill and a strong reputation in the host community. This supports establishing positive stakeholder relationships, which translates into sustainable business growth. However, it is critical that adopting these elevated accountability drivers should not be viewed as a one-size-fits-all approach, as the local institutional context in many African economies is complex and dynamic (Areneke and Kimani, 2019). Therefore, mature MNE subsidiaries must continuously adapt their corporate governance practices to the local context to ensure their relevance and effectiveness.

*4.2.3. Use of digital technology and innovation*

The data shows that modern technologies and the capacity to innovate can play critical roles in how mature MNE subsidiaries in Nigeria continuously deal with insidious institutional challenges. Digital technology supports organisations in achieving corporate governance principles, notably accountability, transparency, and responsibility (e.g., Brennan et al., 2019; Ashiru et al., 2022). Therefore, it is unsurprising that the impact of digital technology continues to grow in the corporate governance field. This is made possible by the characteristics of digital technology, e.g., lower cost, greater liquidity, and more accurate record-keeping, which have implications for parties involved in corporate governance (Yermack, 2017). Digital technology and innovation are grouped as digital technology utilisation and innovative business strategies.

*4.2.3.1. Digital technology utilisation.* Considerable data evidence points to the attributes of digital technology, e.g., ubiquity, accessibility, reproducibility, and temporality. Participants (BM08, BM23, BM09, BM30, and BM33) indicate that digital technology facilitates access to information and communication with broader stakeholders, enhancing mature MNE subsidiaries' transparency, accountability, and stakeholder engagement, which are key attributes of good corporate governance. This, in turn, improves the effectiveness of MNE subsidiaries in overcoming insidious institutional challenges. BM23 expresses that:

*Modern digital technology grants us greater access to information. We can now access extensive information on regulatory matters, market trends, and stakeholder expectations. This information helps us to prepare for and react better to changes in institutional dynamics. We can also use this information to make informed decisions that maximise the wealth of shareholders and other stakeholders.*

These findings align with the studies conducted by Ashiru et al. (2022) and Brennan et al. (2019) that contend that technology supports robust corporate governance practices and allows for addressing institutional challenges confronting African MNEs.

*4.2.3.2. Innovative business strategies.* Participants also discussed how their firms have been implementing new and innovative strategies that align with the interests of local stakeholders. They result in the creation of new products and services better suited to the local context and institutional environment, thus allowing mature MNE subsidiaries to navigate insidious institutional challenges. For instance, BM31 elaborates:

*We invested in research and development to develop new business strategies to deal with institutional problems, such as access to finance, infrastructure, and skilled labour. For example, we established training facilities to train recruits at specific locations. We also conducted feasibility testing, after which we developed new services for older customers who had not enjoyed our prior services.*

Consistent with Brennan et al. (2019) and Ashiru et al. (2022), our findings indicate that mature MNE subsidiaries can continuously leverage digital technology and innovation to overcome insidious institutional challenges in Nigeria. In adopting and implementing innovative business strategies, subsidiaries can create innovative opportunities to address social and economic problems that may constitute institutional constraints, as highlighted in previous studies (Ashiru et al., 2022). However, as some participants noted, it is essential to acknowledge that digital technology and innovation are not a panacea for insidious institutional challenges. Therefore, mature MNE subsidiaries must be aware of the potential risks associated with digital technology (Brennan et al., 2019) and ensure they comply with local laws and regulations.

## 5. Conclusions and implications

This paper aimed to answer the following research questions: *What are the insidious institutional challenges mature MNE subsidiaries face when operating in their existing weak institutional markets? How can they employ corporate governance mechanisms to deal with these challenges?* New and mature subsidiaries both face operational and strategic difficulties in weak institutional contexts. However, mature MNE subsidiaries carry the added burden of adapting entrenched structures and commitments to remain viable amidst institutional uncertainty. Recognizing this distinction underscores why much of the discussion in this paper focuses on the long-term embeddedness of mature subsidiaries and the nuanced challenges they encounter. By focusing on Nigeria as a weak institutional market and drawing insights from 34 executives of mature MNE subsidiaries with long-standing operations in Nigeria, our findings offer valuable theoretical and managerial implications. In addition to implications, we present the study's limitations and suggestions for future research.

### *5.1. Theoretical implications*

This study advances the international business literature by addressing the underexplored insidious challenges faced by mature MNE subsidiaries operating in weak institutional contexts. While prior international business research has predominantly focused on MNE market entry and exit strategies (Meyer et al., 2020; Pant and Ramachandran, 2017), limited attention has been given to the more subtle and persistent challenges that subsidiaries encounter after establishing operations in such environments. Responding to recent calls by Adomako et al. (2017), Arndt et al. (2023), Oguji et al. (2021) for deeper investigation into these post-establishment issues, this study sheds light on three key insidious challenges: the organisational identity conundrum ('us vs them'), limited attention to social capital discordance ('bonding capital vs trust capital'), and persistent intention contradictions ('elaborate politically correct rhetoric vs limited believable action'). These insidious challenges are often deeply embedded within local institutional structures. They emerge in forms such as "us vs. them" identity divides, balancing bonding and trust capital, and the gap between politically correct rhetoric and credible action. By identifying and analysing these insidious challenges, our study shifts the focus from high-level institutional barriers to more granular subsidiary-level dynamics that have potential implications for the long-term survival and success of mature MNE subsidiaries.

The study makes a further contribution to the international business literature by exploring how mature MNE subsidiaries can mitigate these challenges through context-specific corporate governance strategies. While standardized governance frameworks are often promoted as best practices for MNE operations, this study highlights the need for more adaptive approaches tailored to the unique challenges of weak institutional environments. Drawing on the works of Abor and Fiador (2013), Bhaumik et al. (2019), and D'Amelio et al. (2016), the research articulates how subsidiaries can achieve this through enhanced engagement with local stakeholders, including investing in infrastructure, building local capacity, and fostering partnerships. Additionally, subsidiaries must strengthen accountability mechanisms to foster trust and legitimacy in host markets. This involves adopting robust risk management practices, promoting transparency, and enhancing self-regulation to compensate for the deficiencies in formal institutional structures. Digital technology and innovation further play a critical role by enabling subsidiaries to navigate institutional voids, improve operational efficiencies, and build resilience in their host environments.

A key critique advanced by this study is the over-reliance on standardized corporate governance frameworks, which often fail to account for the nuances of local institutional realities. Instead, the findings underscore the importance of tailoring governance mechanisms to align with the socio-political and cultural contexts of host markets. This perspective aligns with Areneke and Kimani's (2019) and Nakpodia et al.'s (2018) arguments that MNE subsidiaries in Africa must adopt governance strategies that are flexible and responsive to local complexities. By doing so, subsidiaries can address micro-level institutional challenges that are often overlooked in broader discussions of institutional constraints (e.g., Mangena et al., 2012; Fagbemi and Ajibike, 2018). These insidious challenges, such as identity tensions and trust deficits, are distinct from the macro-level institutional factors typically addressed in international business research. As such, this study contributes to the literature by providing a more nuanced understanding of the governance strategies required to navigate weak institutional environments effectively.

Finally, this study integrates theoretical insights from institutional theory with practical corporate governance interventions, demonstrating how mature MNE subsidiaries can survive and thrive in developing economies. By emphasising context-specific governance practices, the study advances the argument that effective governance requires more than a mere application of universal frameworks. It highlights the need for adaptive governance mechanisms that account for the unique challenges subsidiaries face in weak institutional settings. Importantly, this research does not aim to provide an exhaustive list of insidious institutional challenges. Rather, its primary contribution lies in advancing the literature on how MNEs can leverage tailored corporate governance strategies to mitigate these challenges and enhance their long-term sustainability. By addressing these issues, the study reinforces the need for a more localised and adaptive approach to governance in international business, particularly in the context of African markets, where formal institutional structures are often fragmented or underdeveloped.

### 5.2. Managerial and policy implications

This study provides several relevant implications for managers of mature MNE subsidiaries, corporate governance experts, and practitioners operating in weak institutional markets, particularly within Sub-Saharan Africa. First, our findings underscore that managing mature MNE subsidiaries is fundamentally different from navigating market entry. In line with Arndt et al. (2023), our study highlights that institutional challenges evolve in complexity as MNEs become more embedded in the local context. Therefore, managers need to recognise that known and observable institutional challenges—such as regulatory inefficiencies or infrastructural gaps—often mask deeper, insidious challenges that arise from shifting power dynamics, elite dominance, and informal institutions. These challenges are dynamic and ambiguous, and as such, traditional governance approaches may be insufficient.

Second, managers should adopt a proactive and adaptive approach to corporate governance that moves beyond compliance. Mature subsidiaries should aim to develop elevated corporate governance mechanisms tailored to their specific institutional environment. This includes investing in robust local stakeholder engagement strategies, fostering transparency and accountability through internal governance reforms, and leveraging digital technologies and innovation to enhance monitoring, reporting, and responsiveness. These adaptive strategies are particularly vital in environments characterised by state capture, regulatory apathy, and fluid institutional norms. Managers must continuously recalibrate and elevate their governance practices to maintain legitimacy, manage risk, and ensure long-term sustainability.

Third, for corporate governance experts and practitioners, this study highlights the need to design context-sensitive governance systems. Rather than relying solely on standardized global governance models, experts should work with MNE subsidiaries to co-develop governance structures that reflect the realities of local institutional contexts. For instance, strengthening relational governance—such as informal trust-building mechanisms with local actors—can be as critical as formal board oversight in environments where institutional enforcement is weak.

In addition to these managerial takeaways, the study offers some policy implications. Policymakers and regulatory bodies should recognise the role of MNEs not just as economic agents but as institutional actors capable of contributing to broader governance reforms. Our findings suggest that institutional frameworks in weak markets could benefit from greater engagement with corporate actors to co-create governance standards and practices that reflect mutual accountability. Regulatory agencies should also prioritize building capacity for transparent enforcement, reducing elite capture, and encouraging corporate innovation in governance practices. Furthermore, fostering innovation, digital infrastructure, and open data initiatives can empower both firms and institutions to address corruption and inefficiencies more effectively.

Together, these managerial and policy implications advance the practical relevance of our findings and offer actionable pathways for strengthening the institutional embeddedness and long-term performance of mature MNE subsidiaries operating in weak institutional markets.

### 5.3. Limitations and future research suggestions

While this study has provided important insights into the insidious institutional challenges faced by mature MNE subsidiaries in weak institutional contexts - and how elevated corporate governance mechanisms can serve to overcome these challenges - it is not without limitations.

First, although the study explores the nature and role of corporate governance mechanisms, it does not empirically measure their relationship with specific performance outcomes of mature MNE subsidiaries. Consequently, a valuable extension of the current research could be achieved through a quantitative study that investigates and operationalizes our study variables against specific performance measures.

Second, the current study relied on rich qualitative data from semi-structured interviews with 34 executives of mature MNE subsidiaries operating in Nigeria. While this provides depth, it limits the scope of stakeholder perspectives. Future studies should consider expanding the range of informants to include other key institutional actors such as regulators, policy-makers, industry association leaders, and civil society representatives.

Third, the study's empirical focus on Nigeria, while valuable for illustrating a weak institutional environment, may limit the generalizability of the findings. Weak market environments differ significantly in the types and severity of institutional challenges they present. To build comparative insights and enrich theory development, future research could investigate similar research questions to ours in different contexts. Cross-national comparative studies or multi-site case studies could be instrumental in identifying context-specific versus transferable corporate governance strategies.

Lastly, future research could focus on the dynamic interplay between corporate governance mechanisms and institutional evolution over time. Longitudinal research designs could illuminate whether and how governance responses by mature MNE subsidiaries influence institutional change, potentially creating feedback loops that reshape the very contexts in which these firms operate.

## CRediT authorship contribution statement

**Franklin Nakpodia:** Writing – review & editing, Writing – original draft, Visualization, Validation, Methodology, Formal analysis, Data curation, Conceptualization. **Folajimi Ashiru:** Writing – review & editing, Writing – original draft, Visualization, Validation, Methodology, Formal analysis, Conceptualization. **Emmanuel Adegbite:** Writing – review & editing, Writing – original draft, Validation, Conceptualization. **Nikolina Koporcic:** Writing – review & editing, Writing – original draft, Visualization, Methodology, Conceptualization.

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## Appendix 1

*Interview guide*

1. How do you define good corporate governance?
2. What are the institutional challenges you have faced as a mature MNE subsidiary operating in Nigeria?
3. What are the primary risks that your subsidiary faces in the country, and how do you manage them?
4. What role do you believe MNEs should play in promoting good governance and sustainable development in Nigeria, as a host country?
5. In what ways have you seen corporate governance practices impact the success of your subsidiary?
6. How do you ensure that your corporate governance practices align with the local cultural and social context?
7. How do you engage with local stakeholders, such as government officials and community leaders?
8. What are some of the key benefits of stakeholder engagement in corporate governance?
9. In what ways have you used technology and innovation to enhance your corporate governance practices?
10. How do you balance the interests of different stakeholders when making business decisions?
11. How do you ensure transparency and accountability in your business operations?
12. How do you ensure that your business operations are ethical and socially responsible?
13. How do you assess the effectiveness of your corporate governance mechanisms?
14. How do you see the role of local stakeholders in the implementation of corporate governance practices?
15. Can you provide examples of specific institutional challenges that mature MNE subsidiaries face in Nigeria and how they have addressed them using corporate governance mechanisms?
16. How do you think MNE subsidiaries can balance the expectations of their shareholders with their responsibilities to the local communities and the environment?
17. What advice would you give to other MNE subsidiaries looking to improve their corporate governance practices?

## Appendix 2

**Table 2**
Corporate governance mechanisms used for overcoming insidious institutional challenges.

| Second-order categories | First-order codes | Representative quotes |
|---|---|---|
| Enhanced Local Stakeholder Engagement | Continuous Investment in Infrastructure | *"The performance of my subsidiary is based on how well we engage with our local stakeholders. It is, therefore, appropriate that in strengthening our ability to generate wealth in this community, we provide (continuous investments in) essential amenities that include basic infrastructure."* (BM28)<br><br>*"We focused on training people in the community to develop the skills needed in our company. We used two strategies. The first was through volunteering. We contacted the local chiefs, who then encouraged their people to volunteer to work with us. We offered them monetary incentives that were clearly better than what they were doing at the time. Second, we also organised several skills development sessions that were quite popular among the people. These strategies are helping us develop and acquire the competencies we need."* (BM26) |

(*continued on next page*)

**Table 2** (*continued*)

| Second-order categories | First-order codes | Representative quotes |
|---|---|---|
| | Developing Local Partnerships | *"As an organisation, we aim to impact our immediate communities. Over time, we have realised that forming partnerships with key stakeholders in the host community is an effective way of tackling many of the social, political, economic, and even cultural problems that may cost us more resources if we engage directly."* (BM19) |
| | Engaging in Corporate Social Responsibility Activities | *"Our corporate social responsibility programmes are designed to support the United Nations Sustainable Development Goals, minimise the environmental impact of our operations and make a positive contribution to society."* (BM27)<br><br>*"Our corporate social responsibility programmes allow us to collaborate with the government, NGOs and communities. This means that we can all work together to create solutions to institutional challenges."* (BM03) |
| Elevated Accountability Drivers | Robust Risk Management | *"The first thing we do to manage new institutional challenges is to identify and assess these challenges to understand their impact on our operations. This is why our risk management system is designed in a way that helps us to identify and evaluate the relevant institutional challenges and how we can mitigate their impact."* (BM07)<br><br>*"In our business environment, a major and continuous issue for us is corruption …As part of our risk management system, we have implemented programmes such as training employees on anti-corruption policies, conducting due diligence on business partners, and ensuring transparency and accountability in our operations. By managing our risks in this way, we are able to reduce the negative impact of institutional challenges on our operations while enhancing long-term sustainability."* (BM20) |
| | Trust Building | *"Our immediate environment is key to the sustainability of our company. This is why we are meticulous and strategic about building our reputation in this environment. Over the years, we have realised that a way to strengthen our reputation is to gain their trust. This informs why we have a dedicated programme where we recruit qualified locals so that they know what we are doing, and they can share positive information with their people."* (BM13) |
| | Transparency and Accountability | *"When we commenced operation here, we formed an association that included key members of our firm and notable members of society, such as local chiefs. We granted the chiefs easy access to our company so that they could observe our actions."* (BM10) |
| | Self-Regulation | *"We developed and implemented an internal code of conduct that aligns with societal and regulatory expectations of our local community. The code outlines the ethical and responsible behaviour expected of all employees towards our stakeholders."* (BM34)<br><br>*"My organisation has internal policies and procedures for reporting and investigating unethical behaviour or misconduct committed by an employee. This deters wrongdoing and minimises the tendency to flout regulations."* (BM17) |
| Use of Digital Technology and Innovation | Digital Technology Utilisation | *"Before the Covid-19 pandemic, it was challenging to meet with stakeholders as most of the people invited would give one excuse or the other for their absence. However, since we realised the usefulness of Zoom [a video conferencing technology], it has been easier to communicate and engage with our stakeholders. This has meant that we could get the consent of more people to deal with any emerging institutional challenge speedily."* (BM30) |
| | Innovative Business Strategies | *"We developed what we called a 'shared value' approach, which allowed my company to support our stakeholders in various ways. As part of the approach, we invested in a road project. This was well received in the community, and it boosted our reputation. At the same time, the project improved access to our markets and boosted our supply chain efficiency. This approach helped us address the problems of poor infrastructure and social inequality while helping us to grow our firm performance."* (BM29) |

## Data availability

Data will be made available on request.

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