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Abstract

This thesis examines how emerging market firms (EMFs) from India and China strategically adapt to recent shifts in U.S. industrial policy, including the CHIPS Act, Inflation Reduction Act (IRA), and Executive Order 14257. By employing an abductive case study approach, the research analyzes firm responses across four cases – Tata Motors, Wipro, SAIC Motor, and Lenovo – each representing a unique combination of ownership type and industry sector. Drawing on institutional theory, the resource-based view (RBV), transaction cost theory (TCT), and the linkage, leverage, and learning (LLL) framework, the study reveals that ownership structure and sectoral positioning jointly shape firms' capacity to navigate regulatory volatility. Four key adaptation logics emerge: regulatory compliance and normative alignment (e.g., Wipro), strategic localization (e.g., Tata), institutional workarounds (e.g., SAIC), and circumvention via third-country rerouting (e.g., Lenovo). The findings highlight the importance of narrative legitimacy, geographic flexibility, and institutional buffering as moderating mechanisms that condition EMF responses. A refined conceptual framework is proposed to account for these dynamics. The study contributes to international business literature by highlighting how EMFs actively reinterpret and reconfigure their strategies in response to complex, politicized institutional environments. It also offers practical implications for firms, policymakers, and investors seeking to understand strategic resilience in an era of geopolitical fragmentation.

1. Introduction

Recent years have witnessed a pronounced shift in the global trade and investment landscape. Economic nationalism, strategic decoupling, and techno-industrial rivalry are now defining features of cross-border business. In particular, a series of U.S. policy interventions – including the CHIPS and Science Act of 2022, the Inflation Reduction Act (IRA) of 2022, and Executive Order 14257 ("Liberation Day" tariffs) of 2025 – has introduced complex institutional challenges for foreign firms, especially those from emerging markets (U.S. Congress, 2022; Trump, 2025). These policies are not isolated events but part of a broader recalibration of global value chains and industrial priorities, aimed at reshoring strategic production and reducing geopolitical dependency on rivals such as China.

This evolving policy environment presents new risks and opportunities for Emerging Market Firms (EMFs). While the literature on EMF internationalization has expanded significantly over the past two decades, it has largely emphasized capability development, experiential learning, institutional escape, and springboarding in relatively open or neutral host environments (Mathews, 2006; Luo & Child, 2015). Far less is known about how EMFs respond when host-country institutions – particularly in core markets like the United States (U.S.) – become overtly exclusionary, regulatory, and politicized.

The main research question guiding this study is:

How do Indian and Chinese emerging market firms adapt their internationalization strategies in response to recent U.S. policy shocks?

To address this question, the thesis focuses on three sub-questions:

1. How do specific U.S. policy tools (e.g., CHIPS Act, IRA, EO 14257) reshape the institutional environment for EMFs?
2. What strategic responses do Indian and Chinese firms adopt in response, and how do these vary across ownership types and industry sectors?
3. How does institutional embeddedness mediate the relationship between firm-specific characteristics and adaptive strategy?

This study draws on four theoretical perspectives to frame the analysis. Institutional theory offers a lens to understand how regulative, normative, and cognitive pressures affect firms

operating in contested environments (North, 1990; Scott, 1995). The resource-based view (RBV) helps explain how internal capabilities shape firms' responses to external shocks (Barney, 1991). Transaction cost theory (TCT) provides insights into how firms manage cross-border risks and contractual uncertainties (Williamson, 1985). Lastly, the linkage, leverage, and learning (LLL) framework is applied to capture how EMFs seek to connect to, benefit from, and adapt to global networks (Mathews, 2006).

Empirically, this research adopts a qualitative, abductive multiple-case study design, focusing on four strategically selected firms operating in politically salient sectors: Tata and Wipro from India, and SAIC and Lenovo from China. These cases represent variation in ownership structure (private, family-owned, state-owned, hybrid) and industry sector (automotive and technology), allowing for cross-case comparison. The temporal scope covers the period from 2020 to 2025, capturing the evolution of U.S. industrial policy under both the Trump and Biden administrations. Data sources include annual reports, earnings call transcripts, executive statements, policy documents, and industry media, analyzed using abductive reasoning and triangulated to build contextual validity.

The study contributes to the literature in three main ways. First, it provides a firm-level, comparative analysis of how Indian and Chinese EMFs interpret and respond to overlapping institutional disruptions. Second, it introduces a nuanced perspective on ownership-sector interaction, showing how different institutional configurations condition strategic behavior. Third, it offers a theoretically integrated framework that combines institutional and resource-based logics with EMF-specific dynamics, advancing our understanding of international business under institutional turbulence.

Ultimately, the findings demonstrate that EMFs are not passive rule-takers but capable institutional actors, responding to regulatory shocks through a combination of compliance, circumvention, and narrative management. These responses are shaped by their home-country legacies, ownership structures, sectoral positions, and exposure to geopolitical risk.

The thesis begins with Chapter 1 (Introduction), outlining the research context, questions, and objectives. Chapter 2 (Literature Review) presents the theoretical background and key concepts. Chapter 3 (Conceptualization) develops the analytical lens, while Chapter 4 (Methodology) explains the case study design and data sources. Chapter 5 (Data Analysis and Findings) analyzes firm-level and cross-case results, followed by Chapter 6 (Discussion),

which interprets these findings. Chapter 7 (Conclusion) summarizes key insights, notes limitations, and suggests future research directions.

2. Literature Review

2.1. Introduction to the Literature Review

The literature review forms the intellectual foundation of this thesis, providing the necessary framework to understand and analyse the research problem. At its core, this study seeks to explore how institutional factors and firm-level strategies shape the internationalization of EMFs, with a particular focus on firms from India and China operating in the context of evolving U.S. policies. To achieve this, the study draws on established theories and concepts from international business, institutional economics, and strategic management. By grounding the research in these theoretical perspectives, this section aims to clarify the relationships between institutions, firm strategies, and internationalization outcomes, while also identifying gaps in the existing literature that this research seeks to address.

The internationalization of EMFs presents a unique set of challenges and opportunities, which are central to the research questions of this study. Unlike firms from advanced economies, EMFs often operate in environments characterized by institutional voids, regulatory uncertainties, and resource constraints (Khanna & Palepu, 2010). At the same time, they must navigate the institutional landscapes of host countries, such as the U.S., where policies like tariffs and executive orders can significantly impact their internationalization strategies – a dynamic relevant to understanding how home and host institutions jointly influence strategies (Research Question 1). For example, recent U.S. executive orders under the Trump administration have removed limitations on international business activities, creating both opportunities and risks for EMFs (Bouët & Laborde, 2017). This dynamic interplay between home-country and host-country institutions, coupled with firm-level factors such as ownership structure and resource access, forms the central focus of this study, aligning directly with Research Questions 1 and 3.

Recent quantitative analyses of policy shocks like the CHIPS Act demonstrate how host-country regulations fundamentally restructure global value chains (GVCs). Gu and Cheong's (2024) dynamic GTAP-VA model projects a 2.95% contraction in China's electronics output and 3.50% export decline by 2040, alongside U.S./EU sectoral gains – empirical validation of Institutional theory's premise that host-country policies asymmetrically reshape competitive

landscapes. This study extends such macro-level findings by examining firm-level strategic adaptations to these GVC disruptions.

Theoretical grounding is essential for understanding these complexities, particularly as this study investigates how institutional conditions and firm-level factors mediate internationalization outcomes. Institutional theory, for instance, provides a robust framework for analysing how formal and informal rules – such as government policies, cultural norms, and trade regulations – shape firm behavior (North, 1990; Scott, 1995). In the context of internationalization, institutional theory helps explain why firms from different emerging markets, such as India and China, adopt distinct strategies, a distinction that directly informs the study's exploration of Research Question 1. For example, Indian firms like Tata often operate as family-owned firms integrated within government objectives, while Chinese firms may rely on state-owned or private ownership structures (Child & Marinova, 2014). These differences in institutional capital and resource access are central to understanding variations in internationalization outcomes, tying back to both Research Questions 1 and 3. For instance, Chinese SOEs like China National Offshore Oil Corporation (CNOOC) have pursued aggressive internationalization through cross-border acquisitions, leveraging state-backed financing to acquire strategic assets in developed markets (Gaur & Kumar, 2015). Similarly, Indian firms like Tata have adopted a mix-and-match strategy, leaving the previous management team of acquired companies intact while making them more agile and global (Thite et al., 2016).

Complementing institutional theory, the RBV emphasizes the role of firm-specific resources in achieving competitive advantage (Barney, 1991), offering important insights into how firm-level factors mediate the impact of institutions (Research Question 3). According to RBV, firms with unique resources – such as proprietary technology, managerial expertise, or access to capital – are better positioned to succeed in foreign markets. For EMFs, the ability to leverage these resources is often contingent on their relationship with home-country institutions, linking directly to how firm strategies and institutional conditions jointly affect internationalization outcomes (Research Question 1). For instance, Tata's access to capital and government support has enabled it to pursue aggressive internationalization strategies, while Chinese firms benefit from state-backed financing and strategic partnerships (Liang, Ren, & Sun, 2015). By integrating institutional theory and RBV, this study aims to provide a comprehensive

understanding of how institutions and resources interact to shape internationalization strategies.

TCT offers another valuable perspective, focusing on how firms choose between markets, hierarchies, and alliances when internationalizing (Williamson, 1985). In the context of emerging markets, TCT helps explain why firms may prefer certain entry modes – such as joint ventures or wholly owned subsidiaries – depending on the institutional environment and transaction costs, thus informing how host-country policies like U.S. tariffs moderate strategic choices (Research Question 2). For example, U.S. tariffs and trade policies may increase the transaction costs of exporting, prompting firms to invest in local production or form strategic alliances (Bouët & Laborde, 2017). By incorporating TCT into the theoretical framework, this study seeks to illuminate the strategic decisions underlying internationalization under different institutional conditions.

Finally, internationalization theories, such as the Uppsala model, provide insights into the process by which firms expand across borders (Johanson & Vahlne, 1977), relevant for understanding deviations specific to EMFs that are driven by institutional and firm-specific factors. According to this model, firms internationalize incrementally, starting with markets that are geographically or culturally close and gradually expanding to more distant markets. However, EMFs often face unique challenges that deviate from this traditional path – an aspect that this study explores through the lens of institutional and strategic interplay (Research Questions 1 and 2). For instance, Indian and Chinese firms may leapfrog to advanced economies like the U.S., driven by institutional support and strategic objectives (Johanson & Vahlne, 2009). By examining these deviations, this study contributes to a deeper understanding of the internationalization process in emerging markets.

Recent research has highlighted the need for new theoretical frameworks to explain the internationalization of EMFs, as traditional theories like the Uppsala model and the OLI (Ownership, Location, Internalization) framework may not fully capture the unique characteristics of EMFs (Gaur & Kumar, 2015). For example, the LLL framework proposed by Mathews (2006) emphasizes the role of network linkages, resource leverage, and organizational learning in the rapid internationalization of EMFs – factors highly relevant for addressing Research Questions 1 and 3. This framework is particularly relevant for understanding how Indian firms like Tata and Wipro have leveraged acquisitions and partnerships to gain access to advanced technologies and global markets (Thite et al., 2016).

Moreover, the hybrid nature of SOEs in emerging markets adds another layer of complexity to the internationalization process, particularly regarding how firm ownership structures mediate institutional impacts (Research Question 3). Hybrid (SOE + private) firms often face conflicting institutional pressures when expanding abroad. While state ownership may provide access to government resources and support, private ownership demands efficiency and profitability (Zhou, 2018). This duality influences their internationalization strategies, with majority SOEs more likely to rely on external resources like government-backed loans, while minority SOEs may focus on leveraging internal resources such as intangible assets (Zhou, 2018). Understanding these dynamics is central to this study's aim of examining how firm-level factors mediate the effects of institutions on internationalization outcomes.

2.2. Key Concepts and Definitions

Understanding the study's key concepts is crucial for building a coherent theoretical framework and analysing the research problem. This section defines the core concepts: internationalization, institutions, emerging markets, and firm-level factors, grounding them in established literature to ensure clarity and precision. These definitions establish a common language that will guide the study's analysis and discussion.

Internationalization

Internationalization refers to how firms expand operations across borders through trade, investment, and production (Johanson & Vahlne, 1977). It involves not just geographic expansion but also strategic resource allocation, international network development, and adaptation to diverse institutional environments. For EMFs, internationalization provides access to new markets, advanced technologies, and competitive advantages (Child & Marinova, 2014).

For example, Indian firms like Tata internationalized through acquisitions and joint ventures, leveraging domestic strength and government backing (Khanna & Palepu, 2010). Chinese firms often use state-backed financing and strategic partnerships to expand globally, particularly in sectors aligned with national goals (Child & Marinova, 2014). Unlike traditional incremental approaches like the Uppsala model, EMFs frequently pursue rapid internationalization strategies such as cross-border mergers and acquisitions to overcome latecomer disadvantages (Gaur & Kumar, 2015). Thus, internationalization in this context is multifaceted, strategic, and shaped by both internal and external forces.

Institutions

Institutions are formal and informal rules shaping firm behavior, such as government policies, cultural norms, trade regulations, and legal frameworks (North, 1990). Formal institutions – tariffs, trade agreements, investment rules – directly influence cross-border activity costs and feasibility. For instance, U.S. executive orders during the Trump era altered international business landscapes, creating both risks and opportunities for EMFs (Bouët & Laborde, 2017). The study's focus on 2020–2025 policy impacts provides baseline understanding before the "Liberation Day" tariff escalation. This delimitation allows for systematic analysis while acknowledging the evolving nature of institutional pressures.

The CHIPS Act exemplifies how regulative institutions actively reconfigure GVC participation. Its export controls and subsidies do not merely raise transaction costs but alter sectoral hierarchies – evidenced by China's growing "simple" GVC participation (backward linkages) even as "complex" participation (forward linkages) declines (Gu & Cheong, 2024). Such policy-driven GVC shifts create both constraints and opportunities for firm strategies.

Informal institutions, like China's emphasis on *guanxi* or India's democratic governance, further influence firm strategies (Scott, 1995; Khanna & Palepu, 2010). Emerging markets often feature institutional voids – gaps in formal structures – that firms must navigate using informal networks or state support (Khanna & Palepu, 2010). Institutions thus act as both enablers and constraints on internationalization.

Emerging Markets

Emerging markets are economies transitioning from low- to middle-income status, marked by rapid growth, institutional evolution, and increasing global integration (Khanna & Palepu, 2010). India and China, two major emerging markets, illustrate distinct paths: India through democratic liberalization, China through state-led industrialization (Child & Marinova, 2014). Where China's state-led electronics sector faces CHIPS Act-induced contraction (-2.95% output), India's private-sector IT services benefit from "friend-shoring", highlighting how institutional models determine GVC resilience.

Despite differences, firms from both face common hurdles like limited access to capital and regulatory uncertainty. At the same time, they benefit from growing consumer markets and lower production costs. Indian firms often operate as family-owned firms with close

government ties, while Chinese firms frequently rely on SOEs or hybrid structures (Liang, Ren, & Sun, 2015). Emerging markets thus present both challenges and strategic opportunities that shape firm behavior.

Firm-Level Factors

Firm-level factors – such as ownership structure, resource access, diversification strategies, and managerial capabilities – influence internationalization outcomes (Barney, 1991). Ownership affects strategic priorities: Tata's family-owned model emphasizes long-term growth, while Chinese SOEs focus on national objectives (Child & Marinova, 2014).

Resource access, including finance, technology, and talent, is critical to competing globally. Diversification strategies across industries, such as Tata's presence in steel, autos, and IT, enhance resilience and open new opportunities (Khanna & Palepu, 2010). Managerial capabilities like leadership and innovation also determine a firm's adaptability to complex institutional environments.

Recent studies show that ownership hybridization – such as partial state ownership – can further shape internationalization strategies, with majority SOEs relying on government resources and minority SOEs leveraging internal assets (Zhou, 2018).

Interplay Between Key Concepts

The interplay between internationalization, institutions, emerging markets, and firm-level factors forms this study's foundation. Internationalization is embedded within the institutional realities of both home and host countries. Emerging markets provide distinct opportunities and risks shaped by their institutional environments. Firm-level factors, in turn, determine how companies navigate these complexities.

For example, Indian firms operating in a democratic, market-oriented system often leverage family conglomerates and government support, while Chinese firms, emerging from a state-led economy, use SOEs and strategic partnerships for global expansion (Child & Marinova, 2014). These differences highlight the complex, multi-level dynamics that underpin EMFs' internationalization strategies.

2.3. Theoretical Background

The theoretical frameworks that inform this study provide the analytical tools needed to understand the complex interplay between institutions, firm-level factors, and internationalization strategies. By drawing on institutional theory, RBV, TCT, and internationalization theories, this section explores how these perspectives contribute to the analysis of EMFs' internationalization. Each theory offers unique insights into the research problem, and their synthesis provides a comprehensive framework for understanding the phenomenon.

Institutional Theory

This study employs Scott's (1995) three-pillar institutional framework as its primary analytical lens, building upon North's (1990) foundational work on institutions as "rules of the game." This approach proves particularly valuable for examining how EMFs navigate complex international business environments, moving beyond traditional formal/informal distinctions to capture the multifaceted nature of institutional pressures (Scott, 1995).

- The regulative pillar represents the formal rules and enforcement mechanisms that constrain and regularize firm behavior (North, 1990).
    - These include legislative frameworks such as the CHIPS Act of 2022 (Gu & Cheong, 2024), trade policies including U.S. tariff regimes under Sections 301 and 232 (Bouët & Laborde, 2017), and regulatory bodies like the Committee on Foreign Investment in the U.S. (CFIUS). These coercive mechanisms establish clear boundaries for acceptable corporate conduct in international markets.
- Complementing these formal structures, the normative pillar embodies the values, norms, and role expectations that govern appropriate organizational behavior (Scott, 1995).
    - This dimension manifests in professional standards and certifications, industry best practices, and evolving ethical business expectations that shape firm strategies even in the absence of formal regulation, particularly evident in India's business environment (Khanna & Palepu, 2010).
- The cultural-cognitive pillar completes the framework by capturing the shared conceptions and interpretive schemes that create meaning within institutional environments (Scott, 1995).

- These include national business ideologies, industry reputational markers, and risk perception frameworks that subtly but powerfully influence strategic decision-making.

When applied to comparative analysis, this framework reveals fundamental differences between Indian and Chinese institutional environments (Child & Marinova, 2014). India's ecosystem demonstrates normative-cognitive dominance, where family-owned firms like Tata leverage diaspora professional networks, Anglo-American corporate governance norms, and global IT service standards to compensate for relatively weaker regulative coordination (Khanna & Palepu, 2010). The market-oriented policies that do exist support private enterprise but provide limited state-led strategic direction.

In contrast, China's institutional matrix shows regulative primacy (Child & Marinova, 2014), with SOEs closely following Five-Year Plan industrial directives, party-led corporate governance structures, and strategic emerging industry mandates. Hybrid firms like Lenovo must carefully balance these socialist values with global market expectations (Zhou, 2018), creating unique normative adaptations. This institutional configuration helps explain why Chinese firms often prioritize different strategic objectives than their Indian counterparts when internationalizing.

The framework proves equally valuable for analysing host-country institutional interactions. U.S. institutional pressures manifest across all three pillars simultaneously (Bouët & Laborde, 2017): through regulative mechanisms like export controls and local content requirements; normative expectations including ESG compliance and board diversity norms; and cultural-cognitive perceptions such as "trusted supplier" designations in critical industries. EMFs must navigate this complex institutional terrain when expanding internationally.

Particularly insightful is how firms from institutional voids demonstrate strategic adaptability (Khanna & Palepu, 2010). Indian IT firms frequently use ISO certifications to compensate for weak domestic intellectual property regimes, while Chinese SOEs employ Confucian business ethics to build trust where contracts might be unenforceable (Child & Marinova, 2014). Many tech firms have become adept at product rebranding to align with Western security expectations when facing cultural-cognitive barriers. These adaptive strategies highlight the framework's explanatory power for understanding EMF behavior in complex institutional environments.

Resource-Based View (RBV)

The RBV focuses on how firm-specific resources – such as financial capital, technological expertise, managerial capabilities, and organizational culture – contribute to competitive advantage (Barney, 1991). According to RBV, firms with unique, valuable, and difficult-to-imitate resources are better positioned to succeed in competitive markets, including international ones.

In the context of EMFs, RBV highlights the importance of resource access and utilization in shaping internationalization strategies. For example, Tata's access to capital, technological expertise, and managerial talent has enabled it to pursue aggressive internationalization through acquisitions and joint ventures (Khanna & Palepu, 2010). Similarly, Chinese firms benefit from state-backed financing, strategic partnerships, and access to advanced technologies, allowing them to compete in global markets (Child & Marinova, 2014). These resources provide EMFs with the capabilities needed to overcome institutional constraints and achieve international success.

RBV also emphasizes the role of intangible resources, such as brand reputation, innovation, and organizational culture, in shaping internationalization outcomes. For instance, Tata's strong brand reputation and commitment to corporate social responsibility have enhanced its global competitiveness, while Chinese firms' focus on innovation and efficiency has enabled them to penetrate advanced economies (Liang, Ren, & Sun, 2015). By applying RBV, this study explores how EMFs leverage their unique resources to navigate the challenges of internationalization.

Recent research also highlights the role of hybrid ownership structures, such as state-private partnerships, in shaping internationalization strategies. For example, majority SOEs in China are more likely to rely on external resources like government-backed loans, while minority SOEs may focus on leveraging internal resources such as intangible assets (Zhou, 2018). This distinction underscores the importance of resource heterogeneity in shaping internationalization strategies.

Transaction Cost Theory (TCT)

TCT focuses on how firms choose between markets, hierarchies, and alliances to minimize the costs of economic exchanges (Williamson, 1985). In the context of internationalization, TCT helps explain why firms select specific entry modes – such as exporting, joint ventures, or wholly owned subsidiaries – based on the transaction costs associated with each option.

For EMFs, TCT provides insights into the strategic decisions underlying internationalization. For example, U.S. tariffs and trade policies may increase the transaction costs of exporting, prompting firms to invest in local production or form strategic alliances (Bouët & Laborde, 2017). Similarly, the complexity of navigating host-country institutions may lead firms to choose joint ventures or partnerships with local firms, reducing the risks and costs associated with market entry. By applying TCT, this study examines how EMFs balance the costs and benefits of different internationalization strategies.

TCT also highlights the role of uncertainty and asset specificity in shaping internationalization decisions. Firms may prefer wholly owned subsidiaries when entering markets with high uncertainty or when protecting proprietary technologies, while joint ventures may be preferred in markets with lower uncertainty or when sharing risks with local partners (Williamson, 1985). Gu and Cheong's (2024) finding of China's rising electronics imports (+0.45%) reflects TCT logic – when export transaction costs (from tariffs) exceed internalization costs, firms rebalance GVC participation through local production or third-country partnerships. This perspective is particularly relevant for understanding how EMFs from India and China navigate the complexities of global markets.

While TCT explains entry-mode choices, its logic extends to larger internationalization theories. Internalization Theory (Buckley & Casson, 1976) applies TCT to cross-border operations, arguing that firms replace inefficient markets with hierarchies (e.g., subsidiaries) to protect proprietary assets. This idea is central to Dunning's OLI Paradigm (1980), where the Internalization Advantage ("I") determines whether firms exploit firm-specific advantages (FSAs) via FDI – as seen when Chinese tech firms acquire Western rivals to bypass licensing risks. The Bundling Model (Hennart, 2009) further refines this by showing how EMFs combine FSAs (e.g., state-backed R&D) with host-country LSAs (e.g., tax incentives) to offset transaction costs. These theories together connect TCT with the internationalization theories discussed next.

Internationalization Theories

Internationalization theories, such as the Uppsala model and network theories, provide insights into the process by which firms expand across borders. The Uppsala model suggests that firms internationalize incrementally, starting with markets that are geographically or culturally close and gradually expanding to more distant markets (Johanson & Vahlne, 1977). This model

emphasizes the role of experiential learning and market knowledge in shaping internationalization strategies.

However, EMFs often deviate from this traditional path, leapfrogging to advanced economies like the U.S. due to institutional support and strategic objectives (Johanson & Vahlne, 2009). For example, Indian and Chinese firms have rapidly expanded into global markets, leveraging their institutional and resource advantages to compete with established multinational enterprises. Network theories further highlight the importance of relationships and partnerships in facilitating internationalization, particularly in complex institutional environments (Johanson & Vahlne, 2009).

The LLL framework provides additional insights into how EMFs internationalize. This framework emphasizes the role of network linkages, resource leverage, and organizational learning in the rapid internationalization of EMFs (Mathews, 2006). For instance, Indian firms like Wipro and Tata have leveraged acquisitions and partnerships to gain access to advanced technologies and global markets, demonstrating the importance of learning and adaptation in their internationalization strategies (Thite et al., 2016).

The composition-based view (CBV) offers another alternative perspective, particularly suited to explaining how EMFs overcome latecomer disadvantages through strategic resource orchestration (Luo & Child, 2015). Unlike traditional theories that focus on incremental resource accumulation, CBV highlights how EMFs dynamically recombine and deploy both internal and external resources to create competitive advantages in foreign markets. For instance, Chinese firms like Huawei and Lenovo have leveraged partnerships, acquisitions, and state-backed support to rapidly access cutting-edge technologies and global distribution networks, bypassing the gradual expansion predicted by the Uppsala model.

3. Conceptualization

This section develops three propositions linking the theoretical foundations discussed in Section 2.3. – institutional theory, RBV, TCT, and CBV – to the case analysis. These propositions offer qualitative expectations about how Indian and Chinese firms navigate shifting U.S. policies, home-country institutions, and their own adaptive capabilities. They are not hypotheses for testing but literature-based assertions aligned with the study's exploratory design.

Proposition 1: Home-country institutions influence distinct internationalization pathways through institutional capital.

Firms from emerging markets depend on their home-country institutions to expand abroad. Indian firms primarily draw on normative and cognitive capital – such as shared norms, diaspora ties, and managerial networks. Tata's global success reflects this, aided by its embeddedness in India's democratic, market-driven system and access to Western-educated talent (Khanna & Palepu, 2010). In contrast, Chinese firms like CNOOC and Sinopec rely heavily on regulative capital: state policies, directed finance, and bilateral treaties (Child & Marinova, 2014).

This divergence aligns with Scott's (1995) institutional pillars. Chinese firms are backed by the coercive power of the state (regulative), while Indian firms leverage family-led governance (normative) and shared business models (cognitive). This helps explain why Chinese firms dominate sectors like energy, while Indian firms concentrate in IT and pharma – industries where soft institutional capital matters more than financial resources.

Proposition 2: Host-country institutional policies (e.g., U.S. CHIPS Act, IRA tariffs) compel firms to adapt strategies to sustain market presence.

Recent U.S. institutional policies – including the CHIPS Act, the IRA, and EO 14257 – have changed the viability of existing strategies for EMFs. These policies create distinct adaptive challenges: Chinese firms face direct technological barriers (e.g., CHIPS Act restrictions forcing third-country partnerships [Gu & Cheong, 2024]), while Indian firms face softer institutional requirements (e.g., IRA local-content rules prompting U.S. talent and infrastructure investments [Thite et al., 2016]).

TCT (Williamson, 1985) explains this through three mechanisms:

1) Cost-driven restructuring: Rising export costs from tariffs accelerate FDI shifts
2) Risk mitigation: Expanded CFIUS scrutiny necessitates alternative governance structures
3) Asset reconfiguration: IRA subsidies redirect investments into localized production (e.g., battery manufacturing)

Chinese SOEs like Lenovo pursue normative legitimacy abroad through transparency reforms, while Indian firms like TCS emphasize cognitive alignment via workplace localization.

Proposition 3: Ownership structures mediate responses to institutional pressures: private firms adapt strategies flexibly, while state-linked firms circumvent constraints through third-country rerouting.

Firms respond to host-country institutional pressures in markedly different ways depending on their ownership structures. Privately-owned EMFs, particularly those from India, tend to demonstrate strategic agility through genuine adaptation. For example, Tata Motors successfully integrated Jaguar Land Rover (JLR) by retaining British management while implementing Indian cost efficiencies, achieving both normative alignment and regulative compliance. Similarly, Wipro transformed its service offerings from traditional IT outsourcing to Artificial Intelligence (AI) consulting to meet evolving U.S. market demands, showcasing resource fungibility and learning capabilities emphasized by the RBV and LLL frameworks.

In contrast, Chinese state-linked firms often employ circumvention strategies when facing U.S. barriers. A common approach involves establishing subsidiaries in third countries like Vietnam or Mexico, where products undergo minimal processing before being exported to the U.S. market. This strategy attempts to bypass "country-of-origin" restrictions, as seen in recent U.S. investigations into Chinese solar panel exports through Southeast Asia. While technically compliant with letter-of-the-law requirements, such approaches fundamentally differ from the adaptive strategies of private firms, reflecting deeper institutional logics.

These divergent approaches are theoretically explainable through multiple lenses. The RBV highlights how private firms' flexible human capital and intangible assets enable genuine adaptation, while SOEs' reliance on physical assets and political ties incentivizes workarounds. institutional theory further clarifies this divide: private firms prioritize host-market legitimacy, whereas state-linked firms must balance home-country political expectations with international expansion. The LLL framework's linkage dimension becomes particularly telling - where firms like Tata build authentic R&D partnerships, some Chinese firms create shell company linkages designed to circumvent rather than comply.

The practical implications are significant. Adaptive firms like Infosys gain long-term market position by meeting IRA local hiring requirements, while circumvention strategies risk triggering escalating regulatory responses, as seen in recent CFIUS crackdowns on third-

country transshipments. This distinction underscores how ownership structures fundamentally shape internationalization pathways under institutional pressures.

Theoretical Synthesis and Implications

Together, the three propositions form a dynamic model of EMF internationalization:

1) Home-country institutions (P1) establish the base capabilities and constraints
2) Host-country policies (P2) reshape the external environment
3) Ownership-based strategic responses (P3) determine whether firms achieve sustainable market presence through adaptation or temporary circumvention.

This model contributes by:

- Theoretically linking macro institutions with firm-level strategy
- Empirically explaining different Indian and Chinese responses to U.S. policies.
- Practically guiding firms in tailoring strategies to shifting policy landscapes.

These three propositions form the basis of the conceptual framework presented in Figure 1. The model illustrates how home-country institutions, host-country policy changes, and firm-level characteristics – such as ownership structure and sector – interact to shape how EMFs respond strategically and learn over time. It shows the pathways through which institutional forces influence capital access, entry decisions, and ultimately, the success of internationalization efforts in high-barrier markets like the U.S.

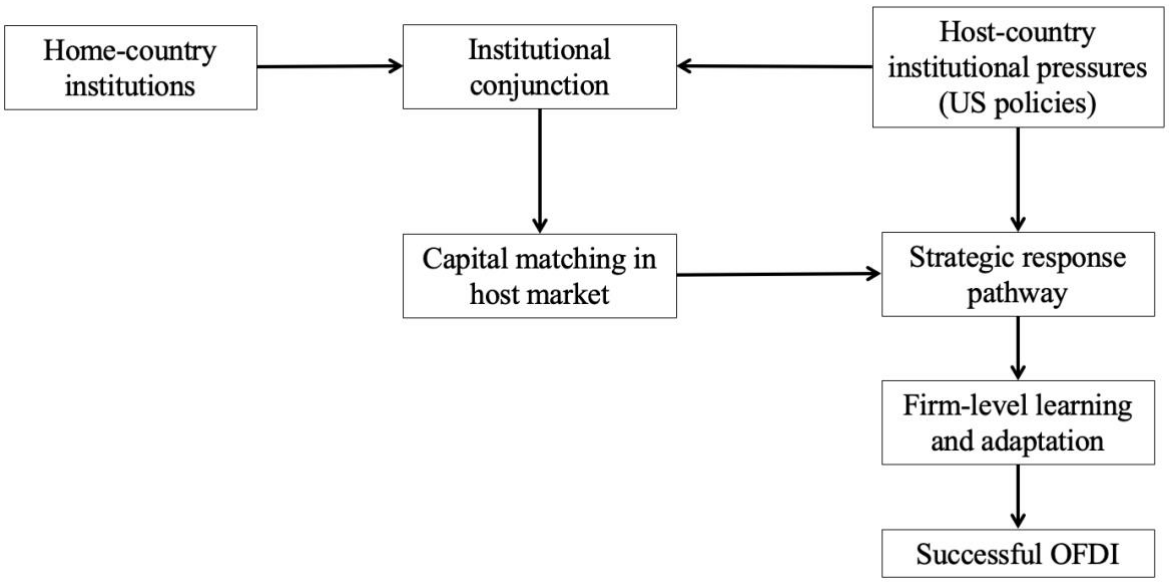

Figure 1. *Conceptual framework: Institutional conjunction, capital access, and strategic adaptation of EMFs under U.S. Policy shifts.*

4. Methodology

4.1. Research Design

This study uses an abductive comparative case study approach to explore how Chinese and Indian firms adjust their internationalization strategies in response to changing U.S. institutional pressures. The design combines theory-driven analysis with pattern recognition across eight selected cases (two Chinese and two Indian firms). These firms are chosen to reflect different ownership types and industries, allowing for structured comparisons. The selection criteria focus on firms that:

- Have had a strong presence in the U.S. market
- Represent different ownership models (state-owned, hybrid, family-owned, and professionally managed)
- Operate in sectors most affected by recent U.S. policy changes (technology, automotive/EVs)

The analysis is structured in three steps:

1) Deductive coding applies existing theories – such as the three pillars of institutional theory (regulative, normative, cultural-cognitive), the RBV (focusing on tangible vs. intangible assets), and TCT (especially entry mode choices) – to categorize early observations. These are drawn from corporate documents like annual reports (2020–2025) and SEC filings.
2) Inductive analysis looks for new patterns by comparing media-reported strategies (from *Reuters*, *Business India*, *Financial Times*, *Caixin*) and video data (executive interviews on YouTube or corporate channels). It pays special attention to differences between what firms officially say and what they actually do in the market.
3) Abductive reconciliation develops mid-range theories by comparing emerging patterns with existing frameworks. The study uses Google's NotebookLM platform – an AI tool for synthesizing uploaded documents – for consistency checks on large text sets.

To ensure strong findings, the research uses several validation methods. Temporal triangulation compares strategic shifts before and after major U.S. policies – such as the CHIPS Act (2022), the IRA (2022), and EO 14257 (2025). Source triangulation verifies company statements with analyst reports and policy reviews as of Q1 2025.

The five-year period (2020–2025) captures:

- Pre-pandemic international strategies
- The tech decoupling phase (2021–2022)
- The subsidy-led localization phase (2023–2024)
- Current responses to the mature U.S. regulatory climate (2025)

This approach allows the study to examine both short-term reactions and longer-term strategic shifts in a changing institutional environment.

4.2. Data Collection

This study uses a focused case study method to explore how different types of firm ownership affect how companies respond to U.S. institutional pressures. It examines four carefully chosen firms: Tata Motors and Wipro from India, and SAIC Motor and Lenovo from China. These firms were selected to reflect a range of ownership types (family-owned, professionally managed, state-owned, and hybrid) and sectors (automotive and tech). This narrow focus allows for in-depth comparisons while staying manageable for a master's thesis.

Data collection centered on three main sources:

1) Corporate disclosures were used, especially annual reports (2020–2025) and SEC 20-F filings, which outlined the firms' formal strategies for international growth. These documents were particularly helpful for understanding how firms changed their investments and market focus after key events like the 2022 CHIPS Act and the 2025 tariffs. To get a clearer view of real-time decisions, the study also analyzed earnings call transcripts and investor presentations where executives discussed their reactions to these policy changes.
2) Policy documents were also used to understand the U.S. regulatory background. These included the full texts of the CHIPS Act, parts of the IRA, and the 2025 executive order.

3) Media analysis added further context, drawing from business news sources. This media review helped in two ways: first, by showing how firms publicly explained their strategies; and second, by spotting any gaps between what companies claimed and what actually happened in the market.

A structured analysis process supported the research. The study began with manual coding of corporate documents to find patterns linked to different ownership types. This involved close reading and organizing content by themes, especially noting how strategies changed over time with policy shifts. This was followed by a AI-assisted synthesis using NotebookLM, which helped uncover patterns and connections that might have been missed during manual review.

The findings were cross-checked through several validation steps. Temporal checks compared when firms announced strategic moves with evidence of them actually being carried out, such as new factories or job growth. Source checks compared company claims with independent analyst reports and policy studies. The study also remained alert to negative cases – situations where announced strategies were vague or not realized – but such examples were limited in the available data.

4.3. Analytical Framework

This study uses an abductive analytical approach to explore how EMFs respond to U.S. institutional pressures. The analysis moves back and forth between real-world evidence and theory development across three phases, focusing especially on how ownership structures shape strategy.

Phase 1: Developing Ownership-Specific Frameworks

The first phase builds tailored frameworks for each type of ownership.

- For Indian family firms like Tata, the study highlights how long-term planning and global diversification support adaptive localization under U.S. policy shifts.
- For professionally managed Indian firms like Wipro, the focus is on how their values align with Western business norms.
- For Chinese SOEs like SAIC Motor, the analysis examines their use of government support and political influence.

- For hybrid Chinese firms like Lenovo, it explores how they balance both market needs and government expectations.

This phase combines deductive coding using theories like institutional theory and the RBV, with inductive analysis of company reports and media stories to identify emerging patterns.

Phase 2: Cross-Case Pattern Integration

The firms are grouped according to ownership type, industry sector, and level of U.S. exposure to enable structured cross-case analysis (Table 1). This allows us to interpret strategy variation across institutional and organizational dimensions.

Firm	Country	Ownership Type	Sector	U.S. Exposure Level
Tata Motors	India	Family-owned	Automotive	High
Wipro	India	Professionally managed	Technology	Medium
SAIC Motor	China	State-owned	Automotive	Medium/Low
Lenovo	China	Hybrid (SOE + private)	Technology	High

Table 1. *Case firm grouping by ownership type, sector, and U.S. exposure*

Phase 3: Theoretical Reconciliation

The final phase builds on a primarily manual, theme-based analysis, using an abductive approach that iteratively connects real-world data with theoretical frameworks. To enhance triangulation, NotebookLM was used as a supplementary tool to process cleaned company reports and media articles. Guided by targeted prompts, it helped identify recurring strategic patterns by ownership type and sectoral exposure. These AI-generated insights were then compared to manual findings to assess convergence, uncover gaps, and validate emerging themes.

Three methods ensure strong analysis:

1) Temporal triangulation checks if companies actually followed through on announced strategies (e.g., new factories or operations).
2) Source corroboration compares firm statements with third-party analyst reports and policy studies.
3) Negative case signals were monitored – especially among SOEs – by identifying cases where strategies remained vague or were not followed through. However, few strong examples were identified.

The framework stays open to late developments, like the 2025 "Liberation Day" tariffs, with all changes clearly recorded through an audit trail. This flexible yet structured approach helps the study explain both the expected results from theory and the new, creative ways firms are adapting to a fast-changing policy environment.

4.4. Validity and Limitations

This study uses several safeguards to ensure the reliability of findings, while also being transparent about its limitations. The abductive approach – which moves back and forth between real-world data and theory – requires constant validation at every step. To strengthen validity, three key methods were applied:

1) Systematic triangulation cross-checked firm strategies using three independent sources:

    - Company disclosures (e.g., Tata's SEC filings on U.S. battery plant investments),
    - U.S. policy implementation records (such as state subsidies), and
    - Media coverage (e.g., executive interviews from *Business India* and *Caixin*).

2) The analysis monitored for negative cases, such as firms failing to implement announced strategies. While some signals of strategic hesitation were found, especially among SOEs, there were few clear-cut examples of non-implementation.
3) Weekly peer debriefings with academic and industry experts helped validate patterns. These sessions also addressed inconsistencies between human analysis and AI-generated findings from NotebookLM.

Several limitations, especially those tied to the fast-changing policy environment, were addressed through specific design choices. For example, the 2022 CHIPS Act and 2025 "Liberation Day" tariffs are still recent, so some corporate responses are ongoing rather than

final. To handle this, the analysis included forward-looking signals – such as capital expenditure plans and executive forecasts in earnings calls.

To address potential bias in company-reported data, particularly from Chinese SOEs, the study prioritized audited financial disclosures over promotional narratives. It supplemented corporate sources with independent media reports (e.g., *Caixin*, *Digitimes*) to capture operational developments, policy shifts, and investor reactions not visible in official filings.

The focus on large, publicly listed firms provided access to rich data on international strategies, but limits the ability to generalize findings to smaller enterprises – a point addressed in the study's limitations.

The abductive approach itself introduced two additional constraints. First, building the framework in stages required maintaining a consistent analytical trail. Second, the use of AI tools like NotebookLM added interpretive complexity. To ensure accuracy, AI outputs were cross-checked against manual coding, and any discrepancies were resolved through researcher-led review.

Lastly, the use of diverse media sources presented editorial variation. For example, *Caixin* often emphasized domestic industrial policy, while *Reuters* highlighted investor sentiment and compliance risks. Indian outlets like *Business Standard* and *Economic Times* stressed national regulatory agendas and firm-level diplomacy. These differences were treated not as distortions, but as institutional signals – revealing how EMFs adapt their messaging across stakeholder ecosystems.

5. Data Analysis and Findings

This chapter explores how EMFs from India and China responded to U.S. policy shifts between 2020 and 2025. Using an abductive, comparative case study approach, the analysis draws on both firm-level disclosures and media reports, supported by AI-assisted pattern recognition using NotebookLM. The findings are structured by ownership type and industry sector to explain how institutional and resource capital influenced internationalization strategies under increasing U.S. regulatory pressure.

5.1. Overview of Case Firms and Grouping Logic

This study investigates how EMFs from China and India responded to evolving U.S. industrial policies between 2020 and 2025, focusing on the CHIPS Act (2022), IRA (2022), and the renewed tariff regime under EO 14257 (2025). The analysis follows an abductive, comparative case-study approach that considers both firm-internal disclosures and external mass media narratives. To generate meaningful comparisons, four firms were selected to reflect a diversity of ownership types and sectoral orientations – two from India and two from China, with different levels of exposure to the U.S. market.

The selected firms are:

- Tata Motors, an Indian automotive multinational with global operations and substantial U.S. exposure through its JLR subsidiary.
- Wipro, an Indian IT services and consulting company with major North American revenue streams.
- SAIC Motor, a Chinese state-owned automotive manufacturer, including its joint venture with General Motors (SAIC-GM).
- Lenovo, a Chinese technology company with a hybrid ownership structure and deep U.S. market penetration, particularly in hardware and infrastructure.

These firms were chosen based on two criteria:

1. Ownership type: family-owned, professionally managed, SOE, or hybrid.
2. Industry sector: automotive or information technology – sectors heavily affected by U.S. trade and technology policies.

The analysis is organized using an ownership × sector matrix. This structure helps highlight how internal organizational characteristics interact with external institutional pressures to shape strategic internationalization responses. It also enables a more nuanced understanding of institutional capital, resource mobilization, and legitimacy-building under geopolitical and regulatory constraints.

As previously outlined in Table 1 (see Section 4.3), the selected firms vary by home-country institutional context, ownership structure, and industry sector. This grouping forms the

analytical basis for the case narratives and comparative insights developed in the following sections.

This chapter (Section 5) proceeds with manual, theme-based analysis of each firm (5.2), followed by a comparative synthesis (5.3), and then AI-assisted insights using NotebookLM (5.4). The chapter concludes with abductively derived strategic patterns and discussion of deviant cases.

5.2. Manual Analysis by Ownership and Sector

This section presents firm-level narratives categorized by ownership type and industry sector. Drawing on annual reports, earnings calls, and corroborating media analysis, each case study illustrates how internal organizational features and external institutional forces have shaped internationalization strategies between 2020 and 2025. The goal is to trace adaptation logics, strategic decision-making, and institutional responses under U.S. policy pressures.

5.2.1. Indian Family-Owned Firms (Tata Motors): Strategic Localization

Tata, a family-owned Indian multinational with significant U.S. exposure through its JLR subsidiary, has responded to recent U.S. policy shocks – particularly the IRA and EO 14257 – by adopting a strategic localization approach. This strategy reflects both its need to adapt to shifting trade rules and its capacity to leverage institutional and resource capital to mitigate risk.

While Tata's direct export volume from India to the U.S. remained relatively low, the "Liberation Day" tariffs posed serious implications for JLR operations in Mexico and U.S. assembly lines using Asia-sourced parts (Mandayam, 2025). The sudden imposition of a 25% tariff on vehicles assembled in Mexico threatened to undermine existing supply chain configurations, exposing JLR's North American production base to significant cost hikes (Mandayam, 2025). It was noted that even a small shift in costs, when coupled with consumer sensitivity in the EV segment, could force pricing or margin revisions, particularly for models that were on the cusp of qualifying for IRA-linked subsidies (Mandayam, 2025).

To manage this, Tata signaled intentions to reconfigure its U.S.-facing production. As reported by Awasthi (2025), the firm began exploring increased North American manufacturing footprints, possibly expanding U.S.-based final assembly or deepening supplier localization to

align with IRA's domestic content requirements (Awasthi, 2025). This response reflects a proactive recalibration of the firm's internationalization strategy, transforming political constraints into site-selection incentives.

JLR also aimed to capitalize on IRA's EV subsidies by pushing its new electric SUV lineup into the U.S. market. However, doing so required navigating complex eligibility rules, especially around rules of origin and mineral sourcing, as outlined in the IRA document itself (Awasthi, 2025). Tata emphasized that IRA compliance is more than a cost exercise – it now represents a path to market competitiveness.

Following the tariff announcement, Tata Motors experienced a short-term 10% drop in stock value, its worst performance in over three years, as JLR temporarily halted exports of British-made cars to the U.S. (Mandayam, April 2025). Analysts linked this to investor anxiety about geopolitical exposure and the high dependence of JLR revenue on U.S. markets. However, the company quickly regained ground after strong domestic EV results and news that JLR's luxury segment could weather some cost shocks due to pricing power. Later in May, Tata's stock rebounded nearly 2% on optimism after a delay in planned U.S. tariffs on EU goods, further stabilizing investor sentiment (Economic Times, May 2025).

Tata's current strategy cannot be understood without looking back at the 2022 IRA. According to Joshi (2023), the firm began preparing its EV roadmap to align with the subsidy eligibility criteria soon after the IRA was passed. Initial steps included accelerating the launch of EV models for export and boosting R&D spending on battery localization. However, analysts pointed out that gaps remained in raw material sourcing and battery cell production – two areas the IRA prioritizes for full tax credit eligibility (Joshi, 2023).

These earlier efforts gave Tata a partial first-mover advantage, but not without friction. As the CHIPS Act and the IRA drew clearer distinctions between U.S.-aligned and non-aligned supply chains, Tata had to double down on capacity building in places like the U.S. Southeast and explore North American joint ventures.

Tata's family-owned status played a critical role in shaping its response. The firm's long-term planning horizon, combined with centralized control and deep domestic political ties, allowed it to quickly mobilize internal capital and pursue patient reconfiguration of its international operations (Tata, 2022). Its ability to withstand short-term disruptions is also linked to portfolio

diversification: JLR’s premium pricing enables some insulation from cost shocks, while Tata's strong India-based EV market provides a fallback revenue buffer.

Parameter	Summary
Primary strategy	Supply chain reconfiguration and strategic localization to meet U.S. compliance requirements
Key institutional enabler	Normative-cognitive legitimacy through U.K. and U.S. regulatory alignment (e.g., IRA, rules of origin)
Disabling factor	Exposure to indirect risks via JLR’s Mexico operations and Asian supply chains
Ownership-sector interaction	Family-owned structure enables long-term planning but requires complex coordination across geographies

Table 2. *Tata Motors summary box*

5.2.2. Indian Professionally Managed Firms (Wipro): Normative Alignment

Wipro, one of India’s largest professionally managed IT service firms, presents a distinct case of strategic adaptation centered on normative alignment with U.S. institutions. Unlike traditional manufacturing exporters, Wipro’s operations rely heavily on cross-border service delivery and long-term consulting engagements with North American clients. Its response to post-2020 U.S. industrial policy illustrates how professionally managed EMFs in service sectors seek legitimacy through institutional conformity and reputational signaling.

Although not directly subject to tariff schedules like manufacturing firms, Wipro faced measurable disruption from the CHIPS Act and IRA, which altered client investment patterns and procurement behavior in the U.S. market. Wipro’s 2025 earnings call reported a ~2.6% decline in North America revenue, attributed to client hesitancy and delayed contracts in manufacturing and automotive verticals (Wipro, 2025a). This was echoed by Singal (2025), which noted that U.S. tariffs created a “domino effect” in the tech services sector by delaying large-scale digital transformation projects and prompting a temporary freeze on several

technology contracts. Wipro executives reportedly acknowledged that client sentiment shifted dramatically mid-quarter due to “geopolitical uncertainty and trade risks” (Singal, 2025).

To address these headwinds, Wipro undertook a series of operational and reputational adaptations. First, it restructured backend delivery operations by shifting U.S.-facing contracts toward less exposed geographies such as Eastern Europe, Southeast Asia, and nearshore U.S. centers (Wipro, 2025b). This move was explicitly linked to risk mitigation and alignment with emerging trade compliance obligations. Second, Wipro accelerated local hiring in the U.S. market. This shift was part of a broader strategic push to align with “Buy American” pressures and improve visibility in key client-facing regions, particularly within the public and healthcare sectors. In doing so, Wipro signaled that it was not merely a service exporter but a credible domestic partner in the eyes of U.S. institutions (Goreja, 2025).

The firm also leaned into its environmental, social, and governance (ESG) strategy. Between 2023 and 2025, Wipro expanded its sustainability disclosures and intensified investment in digital health, AI-enabled diagnostics, and DEI (diversity, equity, inclusion) programs – all of which aligned with priority sectors under U.S. stimulus frameworks. Wipro's earnings calls from Q2 and Q3 2025 highlighted increased demand for consulting and migration services in healthcare and BFSI (banking, financial services, insurance), which partially offset declines in traditional IT verticals (Wipro, 2024; Wipro, 2025a). These efforts supported Wipro’s positioning as a compliant, forward-looking partner – particularly important for navigating a U.S. policy landscape increasingly shaped by regulatory scrutiny and value alignment.

Still, executives voiced concern about policy unpredictability. In January 2025, the CEO criticized short-notice tariff rollouts and erratic implementation timelines as undermining trust in long-term partnerships, especially in public-sector contracts (Wipro, 2025c). Wipro anticipated a sequential revenue decline of 1.5–3.5% in Q1 FY26, largely due to heightened protectionism and the chilling effect on client spending (Goreja, 2025). This reputational sensitivity was widely acknowledged in domestic media, with commentators warning that IT firms relying on offshore labor models faced increasing scrutiny amid U.S. protectionism (Nandi, 2025; Joshi, 2023).

Taken together, Wipro’s adaptation strategy reveals a deliberate shift toward institutional embedding. As a publicly traded, professionally managed firm, it is highly exposed to reputational risk and investor expectations. Its response to geopolitical and regulatory

uncertainty relies less on political maneuvering and more on compliance signaling, strategic ESG investments, and the cultivation of normative legitimacy.

Parameter	Summary
Primary strategy	ESG and sectoral repositioning; onshore hiring; client trust maintenance
Key institutional enabler	Cognitive legitimacy and sector alignment (esp. healthcare, BFSI)
Disabling factor	Trade policy volatility and U.S. political scrutiny
Ownership-sector interaction	Public ownership drives reputation-conscious adaptation in service exports

Table 3. *Wipro summary box*

5.2.3. Chinese State-Owned Enterprises (SAIC Motor): Institutional Workarounds

SAIC Motor, one of China's largest state-owned automotive manufacturers, faced mounting international regulatory pressure between 2020 and 2025 – particularly from renewed U.S. tariffs and EU anti-subsidy measures. SAIC's response strategies were deeply influenced by its state-owned status, its joint ventures (notably SAIC-GM), and its limited direct exposure to the U.S. market. Nevertheless, the firm had to adopt complex international workarounds to manage rising transaction costs, navigate regulatory uncertainty, and mitigate demand-side risks.

Unlike Lenovo or Tata, SAIC did not have major direct vehicle exports to the U.S. during this period. Instead, its exposure came through SAIC-GM, a joint venture with General Motors, which assembled and occasionally exported vehicles with U.S.-made components. These components – though accounting for only about 5% of SAIC's overall input – became more expensive and harder to procure due to the tariff environment following the "Liberation Day" tariffs (Hall, 2025). Moreover, complete vehicle exports by SAIC-GM into the U.S. became increasingly non-competitive due to the blanket 25% tariff and uncertainty about sourcing requirements (Shu & Wu, 2025).

Interestingly, despite these pressures, SAIC-GM managed to maintain operating profitability in Q1 2025 and continued normal operations across two consecutive quarters, according to company disclosures (He, 2025). This points to the firm's effective use of buffer stocks, pricing controls, and possibly state-facilitated logistical and financial support. Unlike many multinationals, SAIC did not pass increased costs on to domestic consumers, maintaining stable prices in its core Chinese market – a move likely enabled by the firm's state-backed resource buffers (Shu & Wu, 2025).

Simultaneously, SAIC faced a 35.3% anti-subsidy tariff from the European Union on Chinese EVs, plus a standard 10% import duty. Despite this, the company experienced a 52.3% year-on-year increase in EV sales to Europe in Q1 2025, starkly contrasting Tesla's 45% drop in the same period (He, 2025). This unexpected performance underscores two key strategies: pricing flexibility (enabled by lower operating costs and state-linked financial cushions) and an aggressive localization push, including the establishment of regional warehousing and final assembly partnerships.

This strategic pivot aligns with broader Chinese foreign policy. As high-level China-EU trade talks intensified in 2025, SAIC became a centerpiece in China's economic diplomacy – positioned to demonstrate Chinese EV competitiveness despite institutional constraints (He, 2025). The firm's agility in Europe reflects not just resource-based capabilities but also state-driven institutional alignment aimed at hedging against U.S. trade barriers.

SAIC's state ownership afforded unique advantages in managing transaction costs and building external legitimacy, particularly during periods of geopolitical turbulence. For example, the Chinese government's strong regulatory signaling in support of EV globalization (such as export rebates and diplomatic engagements with the EU) played a pivotal role in enabling SAIC to sustain market access despite trade barriers (DW News, 2025). Internally, the firm also likely benefited from preferential access to financing, supplier contracts, and policy intelligence – advantages inaccessible to private firms operating in the same space.

However, this embeddedness also limited strategic flexibility. Unlike Lenovo or Tata, SAIC could not easily relocate production abroad or partner with Western firms due to political sensitivities and asset immobility. Thus, its internationalization relied heavily on volume-driven pricing power and institutional workarounds, rather than structural agility or normative alignment.

Throughout the 2020–2025 period, SAIC consistently prioritized the Chinese domestic market as a stable anchor amid global turbulence. Even as it expanded in Europe, SAIC framed China as its revenue base and reputational core (Shu & Wu, 2025). This dual-market approach – buffering through home-market insulation while selectively exploiting niche openings in other regions – constitutes a classic state-firm adaptation under uncertainty. It minimizes downside risk while capitalizing on political and economic asymmetries across markets.

Parameter	Summary
Primary strategy	EU market pivot; domestic market insulation; low-cost price competition
Key institutional enabler	State-backed financial support and policy coordination; strong domestic market position
Disabling factor	Inflexible global mobility due to state ownership and geopolitical scrutiny
Ownership-sector interaction	State-owned structure enables resource buffering but limits agile international expansion in the automotive sector

Table 4. *SAIC Motor summary box*

5.2.4. Chinese Hybrid Firms (Lenovo): Circumvention via Third Countries

Lenovo, a Chinese technology multinational with a hybrid ownership structure (partially state-owned and publicly traded), faced acute regulatory and economic disruptions under the U.S. industrial policy wave spanning from 2020 to 2025. As a major U.S. market player, especially in personal computing and infrastructure solutions, Lenovo was highly exposed to the CHIPS Act (2022), IRA (2022), and most notably, the renewed tariff regime introduced under the "Liberation Day" tariffs in April 2025. These shifts forced the company to enact a range of tactical and structural adaptations to maintain continuity in its international operations.

Long before the April 2025 tariff shock, Lenovo had already begun restructuring its global production base to mitigate risks from escalating U.S.–China tensions. As early as mid-2022, Lenovo accelerated the relocation of U.S.-bound laptop production from China to Vietnam.

This move, reportedly completed by June 2025, reflected a broader “China Plus” strategy aimed at insulating the firm from intensifying scrutiny and punitive trade measures directed at Chinese tech firms (Pan-Giordano & Zhou, 2022; Xiao, 2023).

However, this diversification was not merely precautionary. Lenovo’s CEO Yang Yuanqing made clear during earnings calls that rapid shifts in U.S. policy created a business climate where adaptation, not just preparedness, was crucial. While the 25% tariffs imposed in April 2025 targeted Mexico and Canada rather than China directly, they disrupted Lenovo’s efforts to reroute production through these intermediary countries. The firm reported a $50–$60 million loss in the most recent quarter as a result of this unexpected disruption (Stobing, 2025; Sharwood, 2025).

Yang emphasized in both media interviews and earnings calls that "we are not worried about the tariff… we are worried about the uncertainty and quick changes" (Sharwood, 2025). This highlights how the lack of regulatory predictability – not the tariffs themselves – became Lenovo’s central challenge. Despite having diversified away from China in anticipation of regulatory pressure, the company still struggled to keep up with the pace of U.S. policy change.

Despite its Vietnam pivot, Lenovo acknowledged that "no other country can replace China" in terms of manufacturing scale, supply chain integration, and efficiency (Stobing, 2025). This comment underscores the persistent reliance of global tech firms on Chinese infrastructure, even when attempting to comply with U.S. political and economic demands. Moreover, it illustrates a core paradox: while Lenovo sought to de-risk through geographic diversification, the highly global nature of its supply chains left it vulnerable to multi-country shocks such as tariffs on Vietnam and Mexico.

Lenovo’s hybrid ownership enabled a blend of state alignment and market responsiveness. It used this dual legitimacy to maintain access to state support for R&D while engaging in brand-flexible strategies to circumvent Western scrutiny. For example, Lenovo has emphasized its U.S. operations (including manufacturing and R&D in North Carolina) to present itself as a global rather than purely Chinese company (AP News, 2024).

Despite the turbulence, Lenovo posted strong financial results in Q4 FY24/25, including a 23% year-over-year revenue increase. Growth in high-margin segments such as AI-enabled PCs and infrastructure services helped absorb the financial impact of the tariffs (Lenovo, 2024). This

resilience reflects the firm's capacity to strategically rebalance its portfolio in line with emerging opportunities, even under exogenous pressure.

Lenovo's situation also became emblematic of broader business frustrations with the unpredictability of U.S. trade policy. Media reports highlighted growing concern among multinational corporations over the reactive and politically driven nature of recent U.S. trade enforcement. Lenovo's high-profile exposure brought attention to how even well-prepared firms can be caught off guard by sudden shifts (Stobing, 2025).

Parameter	Summary
Primary strategy	Multi-country circumvention (Vietnam, Mexico), onshore PR positioning
Key institutional enabler	Dual legitimacy from hybrid ownership; brand flexibility
Disabling factor	Tariff unpredictability and rapid U.S. policy shifts
Ownership-sector interaction	Hybrid ownership supports circumvention, but tech sector vulnerability remains high

Table 5. *Lenovo summary box*

5.3. Cross-Case Comparison Matrix

To identify deeper patterns across the case firms, this section synthesizes the findings through a comparative matrix structured around four analytical dimensions: ownership type, industry sector, primary strategic response, and key institutional pressures and enablers. This format allows us to explore how firm-specific characteristics condition adaptation choices, and how ownership-sector interactions mediate institutional response strategies.

Ownership type	Sector	Primary strategy	Key institutional response	U.S. market tactic
Family-owned (India)	Automotive	Strategic localization and EV investment	Normative alignment via IRA compliance	Supply chain reconfiguration; EV repositioning
Professionally managed (India)	Technology	ESG and sectoral repositioning; onshore hiring	Cognitive legitimacy and sectoral alignment	Diversified service delivery and local trust-building
State-owned (China)	Automotive	Market avoidance and EU pivot	Regulative constraint and geopolitical risk	Focus on EU exports and localization
Hybrid (China)	Technology	Circumvention via third-country production and rerouting	Regulative opportunism and risk buffering	Vietnam and Mexico-based U.S. rerouting

Table 6. *Cross-case strategy matrix*

This comparative overview reveals that ownership structure significantly shapes how firms mobilize resources and manage risk. Indian firms, both family-owned and professionally managed, pursue legitimacy-building strategies that emphasize alignment with dominant U.S. policy trends – particularly the IRA's subsidy structure and ESG expectations. Meanwhile, Chinese firms, especially the state-owned SAIC, face tighter institutional constraints and greater exposure to geopolitical volatility, leading to strategies centered on avoidance, rerouting, and regional diversification.

Despite contextual differences, there are signs of convergence. All four firms emphasize supply chain flexibility and the localization of value creation – whether through production (Tata, SAIC) or services (Wipro). Yet the depth and motivation behind these moves differ:

- For Tata, localization aligns with long-term strategic planning and the goal of leveraging IRA subsidies (Awasthi, 2025).
- For Wipro, it is partly reputational, aiming to reinforce client trust and avoid regulatory scrutiny (Wipro, 2025d).
- SAIC’s pivot to the EU is more defensive, driven by blocked U.S. pathways and an assertive EU industrial policy (He, 2025).

- Lenovo combines tactical circumvention (e.g., shifting laptop production to Vietnam) with resilience messaging focused on its AI and infrastructure businesses (Sharwood, 2025).

Ownership type also shapes firms' access to institutional capital and their capacity to engage in narrative management. Indian firms appear more attuned to normative and cognitive legitimacy pressures. For example, Tata leverages its existing brand legitimacy in the UK and EU to navigate IRA requirements, while Wipro invests in ESG compliance and local partnerships to maintain U.S. client pipelines. Their responses reflect embeddedness in global value chains that are increasingly regulated by sustainability, labor, and geopolitical norms.

In contrast, Chinese firms operate under greater regulative constraint. Lenovo is affected by heightened scrutiny of China-origin goods under the CHIPS Act and 2025 executive actions. Its hybrid structure enables greater flexibility than an SOE like SAIC, which remains closely tied to domestic policy anchors and is thus more exposed to retaliatory dynamics and reputational spillover effects (Shu & Wu, 2025).

Ownership structure moderates how sector-specific pressures are absorbed and processed:

- Automotive firms (Tata, SAIC) face highly tangible trade barriers – tariffs, local content rules, and shifting standards.
- Tech firms (Lenovo, Wipro) are more agile but also more exposed to regulatory subjectivity and evolving national security doctrines.

State and hybrid ownership appears to limit narrative flexibility and increase exposure to symbolic scrutiny. Lenovo's CEO noted that while tariffs themselves are manageable, the uncertainty of their application undermines planning – a constraint also echoed by SAIC (Stobing, 2025; He, 2025). Meanwhile, privately controlled Indian firms actively invest in perception management and partnership-building.

This matrix-based synthesis highlights several emerging themes:

1. Strategic alignment with U.S. industrial policy (especially the IRA) is more feasible for Indian firms due to institutional compatibility and flexible ownership structures.
2. Regulative evasion and market substitution (e.g., EU pivot, Vietnam rerouting) are more prevalent among Chinese firms due to greater geopolitical entrenchment.

3. Ownership-sector interplay drives not only the choice of tactic but also its institutional framing: Wipro frames its moves as ESG-aligned, while SAIC couches them in resilience and domestic priority.

These insights reinforce the importance of multi-dimensional institutional embeddedness in shaping EMF responses. The following section (5.4) tests and complements these interpretations using AI-supported pattern recognition and narrative triangulation.

5.4. NotebookLM AI Analysis and Comparison

5.4.1. What AI Said

To complement the manual coding and ensure analytical robustness, this study employed NotebookLM, an AI tool trained on a curated set of firm reports, earnings call transcripts, media articles, and U.S. policy documents covering the 2020–2025 period. Eight targeted prompts were used to assess how the AI interprets firm responses to U.S. policy shifts across ownership types and sectoral contexts. The following summarizes the key insights provided by NotebookLM:

1. **How did Tata Motors respond to the CHIPS Act, IRA, and 2025 tariffs?** NotebookLM identified that Tata's responses were mostly indirect due to limited direct exports from India to the U.S. However, JLR manufacturing in Mexico and component sourcing from Asia made the firm vulnerable to new tariffs. In response, Tata explored increasing U.S.-based production and optimizing compliance with IRA-related EV subsidies. The AI noted Tata's long-term approach to market alignment and political signaling as a critical factor in maintaining strategic optionality.
2. **How did Wipro adapt its U.S. strategy after 2022 policy changes and the 2025 EO?** NotebookLM reported that Wipro undertook sectoral repositioning to align with U.S. policy priorities, notably healthcare and BFSI. The firm increased its U.S. onshore presence while shifting backend operations to Eastern Europe and Southeast Asia. Notably, AI highlighted Wipro's messaging around "trust" and "regulatory reliability," recognizing the role of public ownership and service-sector norms in shaping its adaptation style.
3. **What were SAIC Motor's main challenges and workarounds between 2020–2025?** The AI emphasized that SAIC, as a SOE, faced dual pressures from U.S. and EU

regulatory tightening. While direct U.S. exposure was limited, tariffs on its joint venture SAIC-GM and increased scrutiny on Chinese EVs in Europe forced a strategic pivot. NotebookLM stressed SAIC's pricing competitiveness and localization efforts in Europe, as well as state-supported efforts to maintain domestic market dominance and limit outbound exposure.

4. **What were Lenovo's most notable strategic moves in response to U.S. industrial policy?**

   NotebookLM highlighted Lenovo's dynamic reconfiguration of global supply chains, especially through production shifts from China to Vietnam and Mexico. While tariffs had an immediate financial impact, Lenovo continued to report growth, supported by its AI infrastructure and PC segments. AI underlined Lenovo's flexible branding and geographic diversification, while also echoing internal concerns over U.S. policy volatility.

5. **How did ownership structure shape strategic response across these firms?** The AI accurately categorized ownership structures: Tata as family-owned, Wipro as publicly held, SAIC as state-owned, and Lenovo as hybrid. It argued that family-owned and public firms emphasized "legitimacy-building," whereas SOEs and hybrids relied more on "institutional hedging" and "regulatory buffering." However, NotebookLM lacked deeper nuance in explaining how ownership intersected with sector-specific constraints.

6. **Which sectors were more flexible under U.S. policy shifts, and why?** NotebookLM suggested that IT firms (e.g., Wipro) had more adaptability due to lower fixed asset exposure and fewer export restrictions, whereas automotive and hardware firms were more vulnerable to physical trade barriers. The AI emphasized that tech service firms could realign operations faster than manufacturing firms tied to complex supply chains and hardware certification regimes.

7. **Were any firms actively engaging with U.S. institutional frameworks (e.g., IRA compliance)?**

   Yes: NotebookLM noted that Tata and Lenovo both pursued alignment strategies. Tata aimed to qualify for IRA subsidies via local EV production, while Lenovo adjusted sourcing patterns and expressed willingness to comply with U.S. origin requirements. Wipro's compliance was more procedural (via hiring and regulation-friendly rhetoric), and SAIC was largely portrayed as circumventing U.S. frameworks in favor of EU or domestic strategies.

8. **How do EMFs perceive institutional volatility in the U.S.?** Across the board, AI found strong signals of institutional mistrust. Firms like Lenovo and Wipro voiced concerns about the unpredictability of policy shifts, especially the sudden reintroduction of tariffs under EO 14257. This volatility was seen as undermining long-term partnerships and requiring firms to develop reactive, not proactive, strategies.

5.4.2. Comparison with Manual Coding

To evaluate the added value and limitations of AI-assisted analysis, this section compares the findings from NotebookLM against the manual case narratives developed earlier (Sections 5.2.1–5.2.4). While NotebookLM proved effective in identifying core strategic moves and institutional challenges, several meaningful gaps emerged around nuance, temporal sequencing, and ownership-sector dynamics.

Table 7 summarizes the alignment between AI and manual interpretations:

Theme	**Manual analysis**	**AI findings**	**Match**
Tata's IRA alignment	Emphasized EV repositioning, use of JLR assets in Mexico, and long-term institutional signaling	Identified IRA alignment, noted Mexico exposure, recognized long-term thinking	✓
Wipro's ESG and trust strategy	Core strategy involved sectoral repositioning (healthcare, BFSI), onshore hiring, and messaging around trust	Captured trust-building, regulatory compliance, and partial sectoral shift	✓
SAIC's EU shift	Highlighted EU production localization, China-EU coordination, and domestic anchoring	Captured EU diversification and domestic focus, but missed China-EU diplomacy nuance	✓/✗
Lenovo's circumvention	Focused on Mexico rerouting, Vietnam production, and flexible branding	Noted geographic shifts and trade impact, but less detail on brand agility and tariff layering	✓/✗
Role of ownership	Framed as shaping institutional capital and adaptation logic (e.g.,	Recognized ownership types but generalized adaptation patterns	✗

Theme	Manual analysis	AI findings	Match
	Tata's normative strategy vs SAIC's avoidance)		
Impact of U.S. volatility	Seen as a recurring constraint across all firms, influencing reactive and risk-hedging strategies	Strongly emphasized unpredictability and its disruptive effects	✓

Table 7. *Alignment between manual and AI-assisted analysis (NotebookLM)*

While NotebookLM captured broad strategies and regulatory responses well, it struggled to link firm behavior to theoretical frameworks (e.g., RBV, TCT, institutional pillars) or explain ownership-sector interactions in detail. It was also limited in distinguishing between proactive and reactive strategies across time and space – something the manual coding emphasized, especially for Tata and Lenovo.

Value of Triangulation:

The AI outputs were helpful in cross-validating high-level patterns and ensuring no major developments were overlooked. In several cases (e.g., Lenovo and Tata), NotebookLM flagged strategy points (such as sourcing routes or IRA positioning) that reinforced the manual reading. This strengthens confidence in the abductively derived insights.

AI Strengths:

- Breadth: Capable of scanning large volumes of firm-level and policy information quickly
- Consistency: Useful for verifying basic facts and classifying strategic responses
- Traceability: Enables re-checking of cited claims across the dataset

AI Limitations:

- Lack of nuance: Misses subtle temporal, political, or theoretical framing
- Static summaries: Often flattens dynamic adaptation processes into bullet points
- Weak contextual layering: Ownership-sector interplay and institutional feedback loops were underdeveloped

In summary, AI analysis via NotebookLM served as a valuable complement to manual coding, especially in validating and synthesizing factual content. However, it lacked the interpretive and contextual depth required for theory-building and fine-grained comparative work – affirming the value of abductive, researcher-led case study analysis in exploring institutional responses by EMFs.

5.5. Emerging Themes and Strategic Patterns

The cross-case analysis reveals a series of strategic patterns that reflect how ownership structure and industry sector jointly shape EMFs responses to evolving U.S. industrial policy. The four case firms – Tata Motors, Wipro, SAIC Motor, and Lenovo – demonstrate a spectrum of adaptation logics, ranging from regulatory compliance and normative alignment to strategic circumvention and institutional hedging. Three core themes emerge across cases: (1) ownership shapes access to and deployment of institutional capital; (2) sector-specific constraints and affordances condition internationalization flexibility; and (3) the intensity and volatility of U.S. policy shocks drive divergent entry-mode and alliance strategies.

Ownership Moderates Institutional Capital Access

Ownership structure decisively influences how EMFs engage with external institutional pressures. Family-owned firms like Tata exhibit a long-term, reputationally conscious orientation, enabling them to make anticipatory moves such as aligning JLR's EV lineup with IRA subsidy criteria (Mandayam, 2025). Their strategic positioning was guided by normative concerns and a deep engagement with rules-of-origin discussions, as noted by firm spokespeople advocating for clarity and consistency.

By contrast, professionally managed firms like Wipro emphasize legitimacy-building through sectoral repositioning and ESG signaling. Wipro's ramp-up of onshore hiring and reorientation toward compliant geographies like Eastern Europe illustrates how public ownership fosters a risk-conscious, compliance-driven response style (Wipro, 2025e). Their sector (IT services) enabled agility, but their ownership profile necessitated trust reinforcement through visible adaptation to U.S. sourcing rules.

For SOEs such as SAIC, strategic options are often shaped by national industrial priorities and limited institutional flexibility. SAIC's pivot to the EU market and emphasis on domestic stability (Shu & Wu, 2025; He, 2025) reflect an institutional workaround strategy consistent

with the constraints of state ownership. Despite aggressive tariffs from both the U.S. and EU, SAIC leveraged state backing to buffer against price shocks and maintain international competitiveness, especially in EV exports.

Finally, hybrid firms like Lenovo, with partial state ownership but operational independence, combined flexibility with opportunism. Lenovo's Mexico- and Vietnam-based rerouting (Stobing, 2025; Sharwood, 2025) reveals a capacity to rapidly reconfigure supply chains – though even their CEO emphasized that "no other country can replace China" in terms of production scale. Hybrid ownership enabled both resource leverage and adaptability, providing a dual advantage under regulatory volatility.

Sector Shapes Strategic Flexibility and Exposure

The firms' sectors (automotive vs. IT) had a marked influence on their response capacity and institutional exposure. Automotive firms like Tata and SAIC face capital-intensive production cycles, deep entanglement with component supply chains, and high sensitivity to origin-based tariffs. Their strategies necessarily emphasized localization (Tata) and regional rebalancing (SAIC) rather than service offshoring or rapid redeployment.

In contrast, IT firms like Wipro enjoyed higher agility, owing to their service-based export models and distributed workforce configurations. This enabled Wipro to shift delivery centers and digital infrastructure away from high-risk geographies with minimal fixed asset friction. However, the same flexibility also increased vulnerability to client sentiment shifts and political scrutiny, pushing the firm to reinforce its U.S. presence via ESG adaptation and institutional signaling.

Lenovo, as a tech manufacturer, straddled these two logics. Hardware required physical rerouting, while its AI and infrastructure services allowed growth despite tariff pressures. Its dual-facing model demonstrates how sectoral hybridity can buffer firms from regulatory extremes – though not from uncertainty.

Policy Intensity Shapes Entry Mode and Alliance Logic

The aggressiveness and unpredictability of U.S. policy shifts – especially the reimposition of 25% tariffs under EO 14257 (Trump, 2025) – reshaped EMF approaches to market entry and alliances. For example, Tata explored new production footprints in North America while

leveraging IRA incentives to secure a regulatory foothold. Wipro deepened collaborations with U.S.-based institutions to stabilize its client pipeline. SAIC curtailed its U.S. exposure altogether and doubled down on its EU logistics network and localized warehousing to escape U.S.-China conflict zones. Meanwhile, Lenovo built supply chain redundancy in third countries, revealing an "institutional hedging" logic aimed at geopolitical arbitrage rather than traditional cost reduction.

These patterns also reflect adaptive reuse of internationalization frameworks: joint ventures (e.g., SAIC-GM), cross-border M&A, local hiring, and state incentive alignment became critical tools for navigating shrinking regulatory space. EMFs increasingly leaned on home-country institutional scaffolding (e.g., China's export subsidies or India's production-linked incentives) to remain viable in U.S.-linked value chains.

5.6. Deviant Cases and Surprises

While the case analysis reveals clear patterns of institutional response stratified by ownership and sector, several firm-level behaviors diverge from theoretical expectations or standard internationalization logics. These "deviant cases" are not anomalies but rather important sites for theory refinement, particularly in extending RBV, TCT, and institutional perspectives to EMFs under geoeconomic stress.

Despite being a hybrid firms partially state-owned, Lenovo exhibited a level of adaptive agility more commonly associated with privately owned or Western multinationals. Its rapid shift of U.S.-bound laptop production from China to Vietnam and Mexico, while navigating tariffs as high as 145% (Stobing, 2025), reflects an execution speed that exceeds expectations for a firm with embedded ties to China's state industrial apparatus. This defies assumptions under TCT, where SOE-affiliated firms are often constrained by higher bureaucratic inertia and limited responsiveness to exogenous shocks.

Moreover, Lenovo not only maintained profitability but also achieved 23% year-on-year growth during the disruption period by leaning into AI PCs and enterprise infrastructure solutions (Sharwood, 2025). This capacity to reallocate internal resources to shield vulnerable markets while capturing growth elsewhere underscores a dynamic resource orchestration logic more aligned with the RBV than traditionally assumed for hybrid Chinese firms.

SAIC Motor's strong performance in the European market – despite being hit with a 35.3% anti-subsidy tariff and a 10% import duty under the EU's new EV policy regime – challenges the assumption that SOEs are most vulnerable to international institutional hostility (He, 2025). SAIC's 52.3% sales growth in Q1 2025 contrasted sharply with Tesla's 45% drop, suggesting that SOEs can outperform private competitors even under discriminatory regulatory pressure.

This finding complicates the institutional constraint hypothesis typically applied to SOEs. SAIC's response – leveraging localized warehousing, pricing flexibility, and early engagement in EU-China negotiations – suggests an underappreciated institutional entrepreneurship within state frameworks. It also indicates that SOEs may use geopolitical adversity as a catalyst for strategic decoupling from the U.S. and reorientation toward "non-aligned" or rival blocs.

Wipro's decision to accelerate U.S.-based hiring and reconfigure its geographic delivery mix in response to tariff-linked scrutiny (Wipro, 2025e) appears surprising given its status as an Indian professional service exporter. Traditionally, such firms mitigate international political risk by shifting delivery to cheaper offshore centers. However, Wipro instead opted for institutional mimicry, mirroring domestic U.S. practices to build client trust.

This behavior signals that for publicly listed IT firms, institutional legitimacy may outweigh cost arbitrage, particularly in high-regulation markets like the U.S. The shift also repositions Wipro within the LLL framework – not as a peripheral learner but as a strategic partner embedded in local ecosystems. This pattern nuances traditional views of Indian service firms as passive rule-takers in Western markets.

Perhaps the most structural surprise is that Tata, though not directly exporting significant volumes to the U.S. from India, still faced elevated exposure due to its ownership of JLR and its operations in Mexico (Mandayam, 2025). This indicates that internationalization exposure is no longer geographically bounded. Rather, corporate ownership structures, M&A histories, and legacy production networks now function as vectors of geopolitical risk.

This realization extends the institutional theory perspective beyond national regulatory environments to include the transnational architecture of corporate activity. Tata's concern over "rules-of-origin" and shifting IRA definitions further exemplifies that strategic clarity now requires not just operational localization but also regulatory foresight and scenario planning.

This chapter has shown that EMFs respond to U.S. institutional pressure through diverse strategies shaped by ownership structure, sectoral logic, and levels of exposure. Indian firms, particularly those in services and public ownership, emphasize normative alignment and cognitive legitimacy, adapting through partnerships, ESG investments, and localized compliance. Chinese firms, especially SOEs, tend toward strategic workarounds, leveraging political ties and geographic diversification – often toward Europe or third-country rerouting – to sidestep regulatory constraints.

Ownership and sector intersect to determine both the availability of institutional capital and the firm's responsiveness to policy shocks. While state ownership can offer protection and scale, it may limit adaptive agility unless offset by competitive resource configurations. Conversely, professionally managed firms gain flexibility but face legitimacy constraints. The analysis also highlighted how U.S. policy shifts – first toward industrial subsidies, then toward broad tariffs – reshaped entry modes, alliance strategies, and risk distribution for EMFs.

Finally, the comparison between manual and AI-assisted analysis affirms the value of abductive triangulation: while human coding provides depth and interpretive insight, AI augments consistency and pattern detection. Together, they reveal not only expected behaviors but also deviant cases that challenge the assumptions of RBV, TCT, and institutional theory – inviting a more dynamic understanding of EMF strategy in an era of global regulatory fragmentation.

6. Discussion

This chapter discusses the empirical findings through the lenses of institutional theory, resource- and transaction-based perspectives, and EMF-specific frameworks. It addresses the core research gap – how ownership type and sectoral context influence institutional adaptation – and evaluates the conceptual model proposed earlier.

6.1. Theoretical Contributions

This section reflects on how the empirical findings contribute to and refine the theoretical frameworks applied in this study: institutional theory, RBV, TCT, and the LLL framework. A key contribution of this thesis lies in demonstrating how ownership structure and sectoral context mediate EMF responses to adverse host-country institutional shifts – an area that remains underexplored in existing literature (Zhou, 2018).

Institutional theory posits that firms respond to institutional pressures along three dimensions: regulative, normative, and cognitive (Scott, 1995). This study confirms the relevance of this tripartite framework while advancing it in two ways. First, it shows that EMFs are not merely reactive entities but capable of constructing strategic narratives to secure legitimacy. For example, Wipro frames its local hiring and ESG investments as alignment with normative U.S. expectations, not merely compliance. Tata Motors similarly leverages its long-standing brand presence in the UK and EU to present its EV and localization strategy as a natural extension of its global positioning. These cases illustrate that EMFs can use legitimacy-building not only to survive but to reposition themselves proactively under adverse conditions. This narrative work allows firms to gain normative legitimacy with host-country stakeholders while reframing strategic responses as mutually beneficial.

In contrast, SAIC – operating as a SOE – faced limited normative maneuverability and instead relied on market substitution and EU alignment, reflecting a more constrained approach. Lenovo, as a hybrid firm, pursued a dual-track strategy combining circumvention (Vietnam rerouting) with a cognitive repositioning of its AI and infrastructure businesses as more globally embedded and less China-dependent. Lenovo's approach indicates that even within a partially state-tied structure, strategic signaling can enhance cognitive legitimacy in key markets.

Second, the study reveals how different ownership structures absorb and respond to institutional pressure in distinct ways. State-owned firms such as SAIC operate under greater regulative and symbolic scrutiny, which limits their flexibility and increases reputational risk. This rigidity exposes them to amplified geopolitical tensions and narrows their strategic options. Hybrid firms like Lenovo, while still tied to state-origin narratives, demonstrate more strategic agility. Privately controlled firms such as Tata and Wipro exhibit the highest degree of narrative and strategic flexibility, actively constructing perceptions of alignment with host-country expectations. This supports and extends Zhou's (2018) claim that ownership matters, but adds greater nuance by showing that it interacts with sectoral dynamics and institutional pathways. The findings highlight that ownership alone does not determine strategic agility – it is the interaction between ownership and the sector's sensitivity to host-country policies that shapes firm behavior.

The sectoral dimension also plays a critical role in shaping strategic response. Automotive firms (Tata, SAIC) face tangible trade barriers such as tariffs, local content requirements, and

shifting standards. These constraints push them toward localization or market substitution. In contrast, tech firms (Wipro, Lenovo) exhibit more agility, yet face heightened exposure to regulatory subjectivity and national security framing, particularly under the CHIPS Act and the "Liberation Day" tariffs. This distinction contributes to the institutional literature by highlighting how sectoral context not only determines risk exposure but also conditions available strategic pathways. In sectors where national security concerns dominate policymaking, narrative management and geopolitical signaling become core components of institutional work.

Moreover, this study extends institutional theory by incorporating the role of narrative flexibility in managing institutional transitions. EMFs do not merely conform to institutional expectations; they also reinterpret, signal, and even preempt institutional demands. For instance, Wipro's preemptive alignment with ESG norms and onshore hiring sends a signal of normative congruence, while Lenovo's public emphasis on AI and infrastructure resilience constructs a cognitive identity less reliant on contentious Chinese origin. These findings resonate with the broader RBV, which highlights how firms actively mobilize and deploy intangible assets – such as reputational capital and stakeholder trust – to build legitimacy and secure strategic advantage (Barney, 1991). Firms like Tata demonstrate how narrative construction is tied not just to symbolic survival, but to capital access, subsidy qualification, and geopolitical insulation.

The findings also refine assumptions in the RBV. While the theory emphasizes internal capabilities as drivers of competitive advantage (Barney, 1991), this study demonstrates that such capabilities also serve as buffers and adaptation tools in volatile institutional environments. For instance, Wipro's existing ESG infrastructure enabled rapid reputational adjustment, while Tata's longstanding experience in navigating EU standards enhanced its IRA compliance strategy. These cases illustrate how capabilities contribute to both value creation and institutional resilience, extending RBV's relevance beyond stable market conditions.

Additionally, the dynamic use of capabilities across regulatory contexts suggests that RBV can be enriched by accounting for institutional specificity. Rather than treating capabilities as universally applicable, this study shows that their relevance is filtered through institutional logics. For example, Tata's strategic use of its British subsidiary gains particular value under IRA incentives that prioritize trade allies. This points toward a more contextualized RBV that accounts for cross-national institutional variance. EMFs, therefore, must not only develop

dynamic capabilities but also cultivate the interpretive capacity to position those capabilities in accordance with shifting geopolitical preferences.

Similarly, TCT (Williamson, 1985) is supported and extended. EMFs like Lenovo and Tata restructured their global value chains to minimize transaction costs and institutional risk, including supplier diversification and production relocation. These adaptations suggest that EMFs do not passively absorb institutional shocks but use organizational design to mitigate uncertainty and exposure. Lenovo's Vietnam strategy reduces regulatory exposure while maintaining market presence, while Tata's dual production and distribution nodes in India and Europe enhance agility in navigating shifting trade flows.

This use of structural reconfiguration to mitigate institutional volatility suggests that TCT must be expanded beyond cost minimization. Institutional volatility itself becomes a cost factor, and the capacity to redesign transaction frameworks under geopolitical constraints becomes a strategic capability. The evidence also suggests that EMFs are increasingly internalizing this volatility into their design processes, implying a shift toward proactive TCT applications. This also contributes to a more strategic view of TCT, where firms optimize not only for efficiency but for legitimacy, adaptability, and continuity.

Finally, the LLL framework is refined through the study's emphasis on institutional buffering. Firms did not just link to global partners or leverage existing assets; they also learned to construct legitimacy narratives and navigate symbolic politics in politically sensitive markets. Tata's use of its UK presence, Lenovo's shift to Vietnam, and Wipro's ESG framing all represent a form of institutional learning aimed at long-term viability. This finding adds a new layer to the LLL framework by incorporating legitimacy management as a learning outcome.

Furthermore, the LLL model's emphasis on leverage is enhanced in this study by showing how firms draw not only on technological or financial assets but also on pre-existing regulatory experiences, reputational capital, and relational legitimacy. Tata's position in the UK enabled it to leverage existing compliance systems under IRA rules; Wipro leveraged long-standing relationships with U.S. clients to frame itself as a trustworthy service provider despite rising protectionism. Lenovo's ability to pivot and reframe also stemmed from learning acquired through navigating previous host-country frictions, such as earlier U.S. export restrictions. These findings suggest that the LLL model can benefit from integrating institutional variables more explicitly, especially those that shape the perceived legitimacy of external linkages.

Altogether, this section proposes a revised theoretical synthesis where institutional embeddedness, narrative agency, and structural reconfiguration are understood as co-evolving capacities. Strategic adaptation is shown not as a linear or passive process, but as a dynamic negotiation between firm identity, institutional opportunity, and geopolitical constraint.

6.2. Practical Implications

This section outlines the practical implications of the study's findings for EMFs, policymakers, and international investors and analysts. By examining how ownership and sectoral dynamics shape strategic adaptation under geopolitical and institutional pressure, this research offers actionable insights into firm strategy, regulatory design, and risk assessment in a shifting global environment.

First, EMFs must invest in narrative legitimacy as a core strategic asset. The evidence shows that privately owned Indian firms such as Wipro and Tata were able to mitigate U.S. institutional hostility by signaling alignment with prevailing policy narratives – through ESG investments, localization strategies, and public framing of corporate citizenship. These strategies function not only as compliance mechanisms but as tools for trust-building with local stakeholders. They allowed firms to portray themselves not as foreign disruptors but as cooperative contributors to host-country priorities. For EMFs operating in politically sensitive markets, integrating ESG narratives, sustainability commitments, and local partnerships into their market entry and retention strategies is no longer optional – it is essential for long-term license to operate.

Second, geographic flexibility should be institutionalized as a strategic capability. Lenovo’s use of Vietnam as a rerouting hub and Wipro’s shift in delivery models underscore the value of having alternative production or service delivery ecosystems in place. These actions reduced regulatory exposure and enabled operational continuity amid U.S. policy tightening. Rather than viewing such shifts as reactive measures, firms should proactively develop modular global value chains that allow for reallocation in response to policy shocks. This capability is particularly vital in sectors where just-in-time delivery or customer proximity is crucial. Automotive players like Tata, which balanced U.S. exposure by leveraging its EU-UK base, demonstrate that geographic diversification can be a strategic buffer and a tool for credibility enhancement.

Third, ownership structure needs to be considered a key internal variable when preparing for institutional risk. State-owned firms like SAIC operated with less maneuverability due to perceived political ties and symbolic scrutiny. Hybrid firms like Lenovo fared better but still faced constraints. Privately held firms demonstrated the highest degree of agility, suggesting that ownership governance should be included in internal risk assessment processes. Firms with tighter state ties must invest more heavily in transparency, strategic communications, and third-party certifications to overcome regulatory suspicion. Furthermore, leadership teams in such firms should prioritize the development of host-country engagement protocols, such as public affairs units or stakeholder coalitions, to enhance perceived independence and reduce symbolic liability.

Fourth, firms should treat institutional volatility as a persistent condition rather than an episodic disruption. The evidence suggests that firms with prior experience navigating institutional complexity – such as Tata with EU compliance – performed better under U.S. policy tightening. Institutional memory and adaptive routines must be developed and embedded across business units. Scenario planning for future geopolitical risks (e.g., further U.S.-China decoupling, EU trade shifts, or regional trade realignments in Asia) should become standard practice for multinationals with global operations. This also means investing in institutional foresight capabilities, including regulatory tracking, government relations, and industry alliances that can anticipate policy inflections and frame timely responses.

For U.S. and other host-country policymakers, the study reveals that blanket policy instruments such as EO 14257 and the CHIPS Act do not produce uniform effects across foreign firms. Instead, they generate differentiated responses based on ownership, sector, and strategic flexibility. This implies that policymaking must move beyond assumptions of national homogeneity and account for firm-level heterogeneity within foreign competitors. Policies targeting "Chinese firms" or "foreign manufacturers" may lead to unintended outcomes, such as rerouting or regulatory arbitrage, rather than genuine reshoring. Policymakers must also consider that some foreign firms, particularly from allied countries, may serve as conduits of technological diffusion or supply chain stability rather than as competitive threats.

Moreover, the effectiveness of industrial policy tools (e.g., IRA subsidies, localization incentives) is contingent on their institutional compatibility with foreign firm structures. Indian firms were more successful in adapting to the IRA due to their governance and global integration, while Chinese SOEs like SAIC faced greater friction. Policymakers should

consider incorporating ownership-type clauses and sector-specific benchmarks into compliance frameworks to ensure alignment with policy goals. More targeted frameworks may reduce inefficiencies while encouraging constructive firm behavior.

There is also a need for clearer signaling and narrative consistency in the rollout of trade and industrial policies. Lenovo's and SAIC's executives emphasized that it was not the content of tariffs but the unpredictability of their implementation that constrained strategic planning. Policy clarity – whether through phased implementation, public consultation, or inter-agency coherence – would enable more constructive adaptation and reduce the incentive for circumvention. Consistency in institutional signaling is particularly important for sectors characterized by long investment horizons and complex supplier ecosystems.

Finally, host-country governments should create engagement channels with EMFs from allied or neutral countries to foster deeper integration. The success of Tata and Wipro in aligning with U.S. policy priorities suggests that cooperative industrial diplomacy can yield mutual benefits. Host governments can support this process by establishing public-private forums, bilateral compliance dialogues, or sector-specific innovation partnerships that include foreign multinationals as stakeholders rather than as adversaries.

For international investors and market analysts, this research offers a framework for assessing institutional resilience and geopolitical risk exposure at the firm level. Ownership structure, sectoral positioning, and geographic flexibility should be considered key indicators of adaptive capacity. Investors should integrate geopolitical scenario testing into portfolio decisions and actively monitor firms' regulatory navigation strategies.

Investors should also scrutinize how firms frame their compliance with ESG and regulatory expectations – not just whether they meet formal standards. Firms that proactively align with host-country narratives – such as Wipro's emphasis on ESG or Tata's UK-EU compliance – are likely to demonstrate more stable long-term trajectories under policy volatility. Analysts should also examine firms' participation in host-country industry coalitions, sustainability reporting, and leadership messaging as indicators of symbolic legitimacy and adaptive signaling.

Sectoral analysis should guide portfolio decisions. Automotive firms are more directly exposed to tariff shocks and localization requirements, while tech firms face regulatory ambiguity and

national security screening. Analysts should differentiate between firms with deep local entanglements and those with flexible operational footprints. This also implies a reassessment of traditional performance indicators: resilience to institutional volatility may increasingly determine long-term valuation.

Additionally, firms that actively manage symbolic legitimacy – through public communications, partnerships, or reputational capital – are likely to navigate regulatory risk more effectively. This suggests that soft signals such as press releases, leadership statements, and alliance-building can be valuable predictors of strategic resilience. Future investment frameworks should integrate these qualitative variables alongside financial indicators to build more robust evaluations of EMF potential in volatile institutional contexts.

6.3. Model Refinement

This section revisits the conceptual framework developed in Chapter 3 and refines it in light of the empirical findings. The original model posited that EMF responses to institutional pressures in host countries are shaped by three key variables: (1) ownership structure, (2) sectoral characteristics, and (3) the nature of institutional pressure (regulative, normative, cognitive). While this foundation proved robust, the findings suggest that additional dimensions and moderating factors are required to fully capture EMF strategic behavior in high-risk geopolitical environments.

The empirical data show that EMFs are not merely passive recipients of institutional pressure but strategically engage with these pressures in diverse ways. As such, the model must reflect a more dynamic, capability-oriented view of firm behavior. The expanded framework incorporates both interpretive mechanisms (how firms frame and signal their behavior) and structural mechanisms (how they reconfigure operations and buffer institutional risks). These refinements not only deepen the model's explanatory power but also increase its relevance for other high-risk contexts.

Key refinements:

1. Strategic Narrative Construction: The empirical analysis revealed that EMFs do not merely react to institutional pressures; they actively construct narratives to frame their actions and shape perceptions among host-country stakeholders. This symbolic work plays a vital role in securing legitimacy, particularly for privately owned firms. Wipro's

emphasis on ESG and inclusive hiring, for example, functioned as more than compliance – it served as a strategic positioning tool. This strategic narrative construction should be included as an active process shaping the firm's interface with institutional environments. It bridges the normative and cognitive dimensions of institutional theory by converting firm behaviors into socially acceptable and politically congruent messages.

2. Geographic Flexibility as a Dynamic Capability: The original model underemphasized the role of geographic diversification and supply chain reconfiguration as proactive tools of adaptation. Lenovo's production shift to Vietnam and Tata's dual-market strategy highlight the need to integrate geographic flexibility as a distinct capability moderating exposure and enabling repositioning. In addition to cost and efficiency considerations, geographic flexibility now also serves institutional objectives: reducing political exposure, signaling alignment with ally markets, and maintaining operational continuity amid policy disruption. Geographic agility enables EMFs to not only evade sanctions or tariffs but to demonstrate institutional compliance by proxy.
3. Institutional Buffering through International Legitimacy: The model should be extended to include firms' ability to leverage their presence in third-party institutional environments. Tata's use of its UK brand heritage to enhance U.S. compliance legitimacy and Wipro's history of long-term U.S. engagement illustrate how embeddedness in one institutional context can mitigate risks in another. This inter-institutional buffering – where legitimacy gained in one jurisdiction is projected into another – plays a crucial role in shaping perceived alignment. It complements narrative construction by adding structural anchoring and draws heavily on the learning and leverage dimensions of the LLL framework.
4. Ownership-Sector Interaction Effects: While the original framework treated ownership and sector as parallel influences, the findings suggest significant interaction effects. For example, a state-owned firm in the tech sector (e.g., a hypothetical SOE in semiconductors) might face more scrutiny than a private firm in the same sector or a state-owned firm in a less sensitive sector like textiles. These interactions should be explicitly modeled, as they significantly influence the strategic space available to the firm. The heightened scrutiny of Chinese SOEs in tech, compared to Indian private firms in automotive, illustrates how risk is shaped not only by what a firm does, but by who it is and where it operates.

To visually represent these refinements, a revised conceptual framework is proposed (see Figure 2). The updated model retains the three core dimensions of analysis – ownership structure, industry sector, and institutional pressures – but introduces three additional moderating mechanisms: (1) strategic narrative construction, (2) geographic flexibility, and (3) institutional buffering. These mechanisms help explain how firms frame, reposition, and shield themselves in response to host-country constraints. Arrows in the model indicate both direct and reinforcing relationships, capturing the ways internal firm capabilities mediate the impact of external institutional pressures on strategic behavior. Feedback loops from strategic responses to moderating mechanisms emphasize learning and adaptation over time.

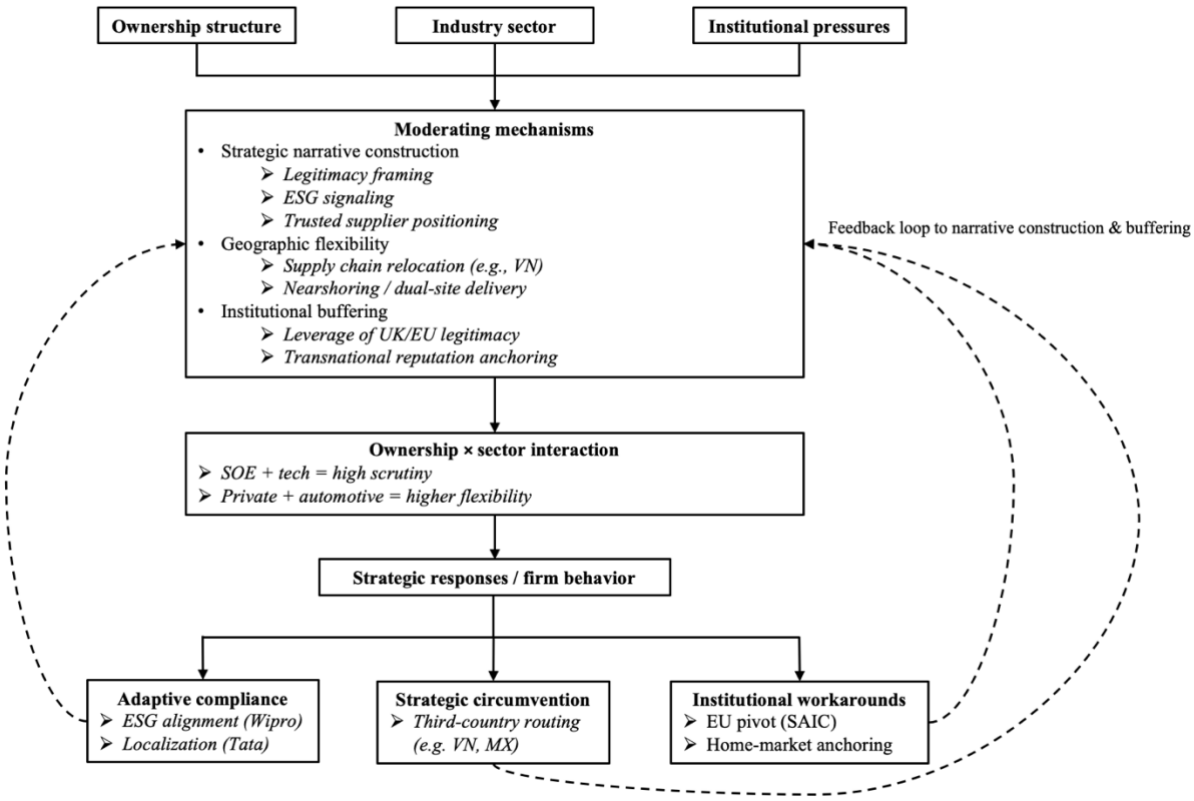

Figure 2. *Refined conceptual framework for EMF strategic adaptation under host-country institutional pressure.*

The refined model emphasizes the dynamic, context-sensitive nature of EMF strategic decision-making. It shows that adaptation is not solely driven by institutional shocks, but also by the firm's internal capacity to construct legitimacy narratives, reconfigure operational exposure, and engage reputational buffers. These interpretive and structural tools enable firms to mitigate regulatory volatility and navigate complex policy environments. Furthermore, the feedback loops embedded in the model highlight that firm adaptation is iterative: lessons from

one round of institutional engagement are recycled into the firm's narrative strategies and organizational adjustments.

This revised model offers a more nuanced understanding of how EMFs respond to institutional environments marked by regulatory hostility and geopolitical risk. It draws on institutional theory, the RBV, and the LLL framework to demonstrate that legitimacy-building and narrative framing are not peripheral, but central to competitive adaptation. In doing so, it aligns with recent calls in the international business literature for frameworks that better reflect the asymmetry, multi-layeredness, and feedback-driven nature of global institutional interactions.

Future research could extend this framework to other host-country contexts (e.g., the EU or Southeast Asia) to examine whether similar moderating mechanisms operate across different democratic, regulatory, and industrial systems. It may also be useful to test the model empirically, by assessing how combinations of ownership type and sector predict adaptation outcomes across a broader sample of EMFs. Quantitative testing could validate the influence of the proposed moderating mechanisms, while comparative case studies might reveal variation in mechanism salience across geopolitical blocs.

By refining the conceptual model in this manner, the study contributes both theoretical depth and practical utility. It equips scholars and practitioners with a more layered framework for interpreting firm behavior under institutional pressure and enhances the predictive and diagnostic power of existing international business theories.

7. Conclusion

7.1. Summary of Key Findings

This study set out to investigate how emerging market firms (EMFs) from China and India adapted their internationalization strategies in response to significant shifts in U.S. industrial policy between 2020 and 2025. Guided by institutional theory, RBV, TCT, and the LLL framework, the analysis was anchored around three research questions:

1. How do specific U.S. policy tools (e.g., CHIPS Act, IRA, EO 14257) reshape the institutional environment for EMFs?
2. What strategic responses do Indian and Chinese firms adopt in response, and how do these vary across ownership types and industry sectors?

3. How does institutional embeddedness mediate the relationship between firm-specific characteristics and adaptive strategy?

This section synthesizes the main empirical findings in response to these questions.

The first key finding is that U.S. industrial policy between 2020 and 2025 represented a profound institutional disruption for EMFs. Through tools like the CHIPS Act (2022), the IRA (2022), and EO 14257 (2025), the U.S. government redefined market access, eligibility for subsidies, and geopolitical acceptability in key sectors such as semiconductors, automotive, and tech services.

These policies operated not only as economic levers but also as institutional filters – differentiating "desirable" from "risky" foreign firms based on country of origin, supply chain traceability, and normative alignment. Firms from China and India were particularly impacted by this shift, with policy instruments embedding requirements that favored onshore production, ESG compliance, and technology provenance – factors that reshaped the rules of participation in the U.S. market.

Second, the study finds that firm responses to these policy shifts varied systematically by ownership type and sector. The cross-case matrix (Table 6) and detailed firm narratives (Section 5.2) demonstrate four distinct adaptation patterns:

Family-owned industrial firms (Tata) pursued long-term localization, aligning product development with IRA incentives and reconfiguring supply chains around North America. Their adaptive logic was grounded in reputational capital, strategic patience, and the ability to leverage diaspora networks.

Public, professionally managed service firms (Wipro) emphasized normative legitimacy through ESG investments, onshore hiring, and compliance messaging. Their service-based model allowed for faster operational reconfiguration, especially in sectors like healthcare and BFSI that were less politically scrutinized.

State-owned Chinese manufacturers (SAIC) adopted institutional workarounds – redirecting exports toward the EU, absorbing tariff costs domestically, and leveraging state support to stabilize operations. While exposed to political risk in both the U.S. and Europe, their access to institutional capital enabled resilience.

Hybrid tech firms with SOE ties (Lenovo) employed circumvention strategies, such as rerouting production through Mexico or Vietnam and diversifying product lines to emphasize AI and infrastructure. Their dual allegiance to both commercial logics and state agendas shaped a flexible but constrained adaptation path.

In short, ownership structure conditioned both the degree of strategic autonomy and the mechanisms available for adaptation. Sector also mattered: manufacturing firms faced regulatory burdens tied to origin tracing and onshore content, while service firms contended more with norms, data sovereignty, and human capital scrutiny.

Third, the analysis confirms that institutional embeddedness played a mediating role in how EMFs translated firm-specific characteristics into successful adaptation. Firms with prior exposure to Western institutional systems – such as Tata (via JLR's UK operations) or Lenovo (via U.S. acquisitions and partnerships) – were better able to narrate legitimacy, meet compliance thresholds, and interpret shifting regulatory cues.

Meanwhile, firms with deep ties to state resources, like SAIC, could buffer economic shocks through state procurement, subsidies, or domestic substitution, even when geopolitical constraints limited their mobility. Wipro's embeddedness in global digital ecosystems allowed it to rapidly pivot service delivery modes without dismantling its existing client base.

Thus, it was not merely firm size or sector that determined adaptive success, but the firm's ability to draw on institutional capital – be it reputational, regulatory, or relational – to make sense of and respond to U.S. pressures.

Overall, this study rejects the notion of EMFs as passive recipients of global regulatory change. Instead, the four case studies reveal a range of strategic agency exercised under varying institutional constraints. Whether through relocation, relabeling, or reframing, these firms displayed an ability to selectively engage with or circumvent U.S. policy pressures – though not always with equal effectiveness.

The findings also underscore the importance of interpretive flexibility: EMFs that could align their narratives with host-country institutional logics (e.g., ESG, "friendshoring", rule-of-origin compliance) were more successful in maintaining access and credibility.

7.2. Limitations

While this study offers a rich, comparative perspective on the strategic adaptation of EMFs to U.S. industrial policy, several limitations constrain the generalizability and scope of its findings.

First, the research is bound by a tight temporal window (2020–2025), during which U.S. industrial policy was rapidly evolving. The IRA and CHIPS Act were both enacted in 2022, while EO 14257 and its accompanying tariff shifts were only implemented in early 2025. This creates a challenge of policy recency: some firm responses – particularly long-term shifts in manufacturing, partnerships, or market exit strategies – may not yet be fully visible in annual reports or financial data. As such, certain adaptive behaviors discussed here are preliminary or based on forward-looking statements and media projections, rather than fully observable outcomes.

Second, the study focuses on four large, internationally oriented firms operating in two high-profile sectors – automotive and information technology. These firms benefit from greater institutional capital**,** resource flexibility, and access to global networks than small or mid-sized enterprises (SMEs). Their visibility also makes them more likely to be included in media reporting and government consultations. This introduces a large-firm bias: the strategic sophistication documented here may not be representative of the broader population of EMFs, especially those with limited exposure to the U.S. market or restricted capacity to adapt to geopolitical shocks.

Moreover, by selecting cases only from automotive and IT sectors, the study does not capture the potentially divergent strategies of EMFs in other industries – such as pharmaceuticals, agriculture, or textiles – each of which faces different regulatory hurdles and institutional dynamics.

Third, while the study includes both Indian and Chinese firms, it does not cover EMFs from other significant emerging economies such as Brazil, South Africa, or Vietnam. Nor does it examine private Chinese firms without formal state ties, which may behave differently from state-owned or hybrid firms like SAIC and Lenovo. The limited ownership types and geographic origin of the selected firms constrain the generalizability of cross-national or cross-ownership comparisons.

Finally, although the study triangulates multiple data sources – including annual reports, media analysis, and AI-assisted summaries via NotebookLM – it remains a qualitative, interpretive case study. The findings are abductively derived and contextually grounded, which enhances depth but limits statistical inference. Moreover, AI tools, while helpful in pattern detection, may miss narrative nuance or the interpretive weight of certain disclosures, especially in cases of corporate signaling or political sensitivity.

Taken together, these limitations suggest that while the study offers meaningful theoretical and practical insights, it should be viewed as a foundation for further empirical research rather than a definitive account of all EMF adaptation strategies.

7.3. Future Research

The findings of this thesis offer a stepping stone for a broader research agenda on the internationalization strategies of EMFs under geopolitical and institutional pressure. As U.S. industrial policy continues to evolve, and as global trade and investment frameworks are increasingly reshaped by security concerns, four primary directions for future research emerge.

1. Longitudinal Analysis of Policy Impact

This study captures a dynamic moment in time – from the enactment of the IRA CHIPS and Acts (2022) to the implementation of EO 14257 (2025). However, the full consequences of these policies – such as firm relocation, value chain reconfiguration, or eventual market withdrawal – may take years to materialize. Future research could benefit from longitudinal case studies or panel data analyses that track EMF behavior over a longer time horizon (e.g., 2025–2030). This would allow scholars to observe whether initial adaptation strategies (e.g., third-country routing or ESG repositioning) are sustained, abandoned, or replaced over time, and how firms recalibrate as U.S. policy stabilizes or shifts under new administrations.

2. SME Behavior Under Institutional Duress

The current study focuses on large, globally embedded firms with the institutional capital to respond to foreign policy shocks. However, SMEs constitute a vast majority of EMFs and often lack the financial or operational flexibility to respond swiftly. Understanding how SMEs navigate the same institutional constraints – particularly those that lack international legal teams, diversified revenue streams, or political connections – would offer a more grounded and

inclusive picture of emerging market resilience. Studies could explore whether SMEs exit markets, form defensive alliances, adopt informal workarounds, or choose to remain domestically oriented in response to trade and technology restrictions.

3. Expansion Across Regions and Sectors

While this thesis investigates firms from India and China in automotive and tech sectors, there is a strong case for expanding the analytical frame to include other emerging markets – such as Brazil, Indonesia, Turkey, or Vietnam – and other strategic sectors, such as pharmaceuticals, agribusiness, or energy. For instance, how do Latin American EMFs navigate U.S. policy when they are simultaneously courted by Chinese investment? Do Southeast Asian manufacturers leverage their geopolitical neutrality as a strategic asset? Sectoral variation is also critical: while tech and auto firms face immediate regulatory barriers, other industries may experience slower but equally impactful forms of institutional disruption (e.g., food safety regulations, data localization laws).

4. AI-Augmented Analysis and Methodological Innovation

This study makes limited but meaningful use of AI tools (NotebookLM) to triangulate findings and generate comparative insights. Future research could explore more systematic integration of AI for qualitative coding, discourse analysis, or large-scale media tracking. However, this should be paired with caution and critical reflection, as AI models may reinforce surface-level interpretations or overlook contextual subtleties. Combining AI-assisted pattern recognition with ethnographic insights, survey data, or interviews could enrich the empirical base and strengthen methodological robustness.

These avenues open the door to a richer and more comparative understanding of how emerging-market multinationals – not just the largest players – navigate increasingly politicized global markets. As internationalization becomes less about efficiency and more about institutional negotiation, EMFs will continue to evolve as adaptive agents operating at the intersection of global strategy and national policy.

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