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A R T I C L E

THE ENDOGENOUS CREATION OF A PROPERTY RIGHTS REGIME: A HISTORICAL APPROACH TO FIRM STRATEGY AND GOVERNANCE STRUCTURE

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The definition, delineation, and enforcement of property rights depend on how the wider political and economic environment (or *institutional environment*) was created and by whom. Organization and management theories implicitly assume this institutional environment is *given*, *fixed*, and *exogenous* to private firms. We challenge this assumption and consider the institutional environment as the result of political struggles between different actors (including private firms) who, if successful in this struggle, will define a particular property rights regime. We maintain that private firms can *endogenously* create the institutional environment by legitimizing an existing one that protects their property rights or by delegitimizing (and seeking the replacement of) another one that threatens their property rights. Our study combines insights from history, political economy, and organization and management theories and shows the benefits for organization and management scholars of studying long-term processes in light of classic works that sought to understand how political and economic orders were created.

Theories in management and organization studies implicitly assume as a necessary condition for their analyses the existence of a set of rules and a political system that protects the property rights of private firms. Moreover, these rules and the political system are implicitly assumed to be considered legitimate by firms. After all, if we consider the possibility that the basic rules defining property rights might change unexpectedly, most predictions of firms' strategic behaviors would need to be revised. In this way, scholars studying the actions of private firms in relation to this wider legal and political system focus on how firms, react, adapt, or (at the most) aim to influence the rules and political system (Dorobantu, Kaul, & Zelner, 2017; Hillman, Keim, & Schuler, 2004; Mellahi, Frynas, Sun, & Siegel, 2016). In short, our understanding of how firms develop their strategies and related organizational forms is based on the strong (albeit implicit) assumption that these firms consider their political and legal system and their property rights regime as *stable*, *legitimate*, and *uncontested.*

However, as events in the first decades of the 21st century—as well as many others in the pre-1980s period—have clearly shown, the presence of a property rights regime that is both stable and considered legitimate by society at large is more of an *exception* than a *norm.* At the time of this writing (the early 2020s), the world has witnessed far-ranging challenges

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to the post-Cold War political and economic order from sectors of society claiming that only a small clique had benefited from free-market policies, simultaneously expressing an ever-stronger skepticism toward liberal democracy. This has translated into the rise of political movements that have rapidly proposed new sets of political and economic rules that in turn have affected the property rights of corporations. Firms that had built global value chains suddenly found that the efficiencies achieved under those governance structures were overshadowed by risks of expropriation or higher taxation. As we discuss below, the type of stability and legitimacy of the wider economic and political system witnessed in the relatively brief period between the fall of the Berlin Wall in 1989 and the collapse of Lehman Brothers in 2008 was exceptional and needs to be understood as both the result of and part of long-term processes of creation and legitimization of particular political and economic environments.

The prevalence of the unrealistic assumption of the political and economic environment as being given, exogenous, and legitimate in management and organization studies is partly due to the context in which those theories were developed. From the 1980s, most governments had abandoned expropriation as a tool of economic policy and states had withdrawn from direct participation in the economy. In this context, scholars focused on analyzing firms' operations without much concern for the evolution of the wider political, legal, and economic environment (that is, the *institutional environment* as defined by Davis and North [1971]) (Boddewyn, 2016). Reflecting a wider trend in the literature, Williamson (1996: 5) explicitly stated that "focusing … on the institutions of governance, I mainly take the institutional environment as *a given*" (italics added).[1] In Davis and North's (1971) terms, Williamson (1996) studied the *institutional arrangements* or the general rules by which firms relate to each other, which are determined by the wider rules of the institutional environment. As such, in the extant literature, challenges to the wider institutional environment in general and the role of firms in shaping the institutional environment in particular have oftentimes been assumed away and thus not explicitly explored. Namely, questions of why a particular property rights regime is in effect, who created it, and the implications of understanding its origins have not been posed or taken into consideration. This unrealistic assumption limits our understanding of the phenomenon because the extant institutional environment should be understood as the result of previous political struggles in which the winners established certain general rules that shaped institutional arrangements (Leftwich, 2006). Moreover, the institutional environment is subject to being contested and changed through its delegitimization by those who seek to replace it and legitimize the new one, if successful.

The purpose of this paper is to investigate how political struggles over time shape the institutional environment as well as its legitimacy and, by extension, the property rights regime, the legitimacy of such a regime, and related institutional arrangements, including firm strategies and governance structures. Toward this end, we challenge the implicit assumption in the literature and bring into the analysis the processes that lead to the creation and legitimization of an institutional environment and related property rights regime, the role firms play therein, and its implications for firms' strategies and governance structures. Drawing on the literature of political economy and social, economic, and business history, we maintain that certain firms play a role in this process and can endogenously shape the institutional environment in such a way that better protects their property rights and, therefore, their business interests. The resulting institutional environment, we submit, will determine the types of institutional arrangements and governance structures that better serve the firms that succeeded in creating and shaping that institutional environment. We also demonstrate how firms devise strategies to delegitimize the defeated institutional environment (and its property rights regime) when they win in the struggle to create, change, or maintain a particular institutional environment. For this purpose, we introduce a theoretical framework accounting for how firms endogenize the formation of the institutional environment and create a property rights regime that explains the dominance of particular firm strategies and governance structures. The understanding of the sources of these struggles and the implications of their outcomes requires scholars to consider historical processes long studied by historians and scholars in political economy. As such, we illustrate these processes with historical examples that show how institutional environments are created, challenged, or replaced.

[1] Other theoretical studies making similar explicit assumptions include Grosse and Behrman (1992), Buckley (1993), Eden, Lenway, and Schuler (2005), Grosse (2005), and Murtha and Lenway (1994).

Our study brings into the analysis the contestability or the legitimacy of the institutional environment. In addition to the role of private firms in actively influencing the "evolution" of institutions, we also consider firms' role in legitimizing existing institutions and delegitimizing *challenges* thereto when the existing institutions protect their property rights. Furthermore, we also show how firms challenge the existing institutional environment when said environment threatens their property rights, so as to replace it with a new institutional environment more favorable to their property rights.

The following section explores the implications of changes in the institutional environment in the 2020s for management and organization studies. The third section discusses how the extant literature has analyzed the relationship between organizations and the institutional environment. The fourth section offers our definitions and core constructs. The fifth section analyzes the endogenous formation of the institutional environment. The sixth section discusses our findings, and the seventh section concludes the paper.

THE SWINGING PENDULUM OF AN INSTITUTIONAL ENVIRONMENT AND ITS IMPLICATIONS FOR ORGANIZATION AND MANAGEMENT THEORY

In 1992, American intellectual Francis Fukuyama published his highly acclaimed book *The End of History and the Last Man* (Fukuyama, 1992) in which he posited that the collapse of the Soviet Union and the worldwide adoption of pro-market reforms showed that the world was reaching a pinnacle in which for the first time in history there was a global consensus regarding the benefits of liberal democracy and market-based economies. Fukuyama's book came shortly after the publication of political scientist Samuel Huntington's *The Third Wave* (Huntington, 1991), in which the author claimed that the late 1980s started a new wave of democratization around the world, which had been preceded by the publication of Douglass North's *Institutions, Institutional Change, and Economic Performance* (North, 1990). As these three scholarly works were reviewed in the mass media, translated into many languages, and influenced policymakers around the world, their timing and message are particularly relevant.[2] In different ways, these books emphasized the long-term economic and social benefits of political systems with a clear separation of powers in which government agencies in charge of enforcing the law were neutral and independent. Using historical examples, North (1990) emphasized the importance of this independence for the protection of property rights, arguing that they are a basic requirement for sustained economic growth and prosperity (see also North & Thomas, 1973). In this way, North (1990) echoed Adam Smith, who said:

> upon the impartial administration of justice depends the liberty of every individual, the sense which he has of his own security. In order to make every individual feel himself perfectly secure in the possession of every right which belongs to him, it is not only necessary that the judicial right should be separated from the executive power, but that it should be rendered as much as possible independent of that power. (Smith, 1776/2000: 778)

In the viewpoint of these authors, the 1990s witnessed a world that resembled that ideal.

The prevalent perspective of organization and management scholarship reflected the post-1989 worldview. In a world in which most governments had abandoned expropriation and state-owned companies had been massively privatized, the state seemed to have become an actor whose role was being reduced to creating and enforcing the rules of the game (Stanislaw & Yergin, 1998). Some classic works from the late 1970s and early 1980s had already reflected a trend toward the assumption of an exogenous institutional environment (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977), and after the 1980s, this process consolidated with scholars focusing on the effects of a given and exogenous institutional environment on organizational actions and outcomes (Üsdiken & Kipping, 2014).

The context, however, has changed once more. A growing perception of the disproportionate power of certain corporations has again foregrounded into the public and political debate the separation of governments and firms. In the 2010s and early 2020s, voices criticizing the power of large corporations in shaping domestic policies in Western countries have grown increasingly louder (e.g., Lewis, 2013; Reich, 2016, 2020). Criticisms of the financial sector's influence on economic policymaking in the United States (Stiglitz, 2019) or of the influence of diversified conglomerates

[2] For how North's work has influenced policymakers and multilateral institutions, see Bates (2014) and Hodgson (2017). For how Huntington's book has influenced American political debates, see Hodgson (2008) and Lewin (2008). For Fukuyama's influence, see Menand (2018).

in places like South Korea (Cain, 2020) or Latin America (Huneeus & Undurraga, 2021; North, Rubio, & Acosta, 2020) have made it imperative for organization and management scholars to include the assumption that private firms are capable of shaping the institutional environment and to therefore abandon the assumption that the institutional environment is exogenous to firms' operations. The change in context also includes new threats to property rights coming from governments that have modified legislation on private property or expropriated the assets of private firms (Mednick, 2023; *The Economist*, 2020; Wellhausen, 2015). Globalization strategies by firms that created global value chains or invested in the production of globally traded commodities that relied on standard rules on property rights around the world and international commerce suddenly faced bottlenecks and renewed threats with the rise of nationalism and deglobalization (Cohen, 2023; Dadush, 2023). This shows that the pendulum is swinging back toward a reality in which it is not safe to implicitly or explicitly assume that the wider political and economic environment is exogenous to firms or assume that property rights are secure and stable. A changing context, we believe, requires a change in paradigm.

ORGANIZATIONS AND THE INSTITUTIONAL ENVIRONMENT

The literature on political economy has shown that an institutional environment is the outcome of previous political struggles between those who benefited from the status quo and those who challenged it (North, Wallis, & Weingast, 2009). The winners in that struggle set the general rules on how property rights are defined, delineated, and enforced, and they delegitimize the previously existing property rights regime (Acemoglu & Robinson, 2006; North, 1990). Under the new and legitimized system of property rights, economic actors organize a particular set of institutional arrangements that might eventually be challenged again in the future. In this dynamic process, economic actors (including private firms) play roles in actively creating, shaping, and protecting a particular institutional environment and, in turn, its related institutional arrangements. In this sense, we agree with North et al.'s (2009: 17) view of how scholars consider the role of government in their analyses of the evolution of firms: "by overlooking the reality that all states are (also) organizations, [the existing dominant approach] misses how the internal dynamics of relationships among elites within the dominant coalition affect how states interact with the larger society."

Scholars have long been aware that firms (particularly powerful ones) develop strategies to influence the rules under which they play. Those coming from organization studies have focused on how firms develop strategies to influence the rules at the *industry* or *field* level (see Greenwood, Suddaby, & Hinings, 2002; Leblebici, Salancik, Copay, & King, 1991; Oliver, 1991; Rao, Monin, & Durand, 2003). In terms of Davis and North (1971), those studies focused on the efforts corporations make to influence *institutional arrangements.* Being aware that firms develop strategies to influence how rules are written, Mellahi, Frynas, Sun, and Siegel (2016: 114) have maintained that firms can develop actions to "manage the institutional and societal context of economic competition" or *nonmarket strategies*, which can include lobbying activities or funding political campaigns (Hillman et al., 2004) as well as creating industry organizations to influence policymaking, as Barley (2010) showed for the case of the United States in the 1960s. Taking a wider approach informed by political economy, Dorobantu et al. (2017) showed that some corporations might try to *transform* the institutional environment in cases when the latter generates "high institutional costs" (i.e., costs that make transactions costly to undertake through the market) because it is "incomplete" (i.e., it has failures that affect all economic actors equally) or "captured" (i.e., it asymmetrically favors some actors over others). In addition, Dorobantu et al. (2017) maintained that firms favor nonmarket strategies consisting of building coalitions with other stakeholders (for the case of the problem of incomplete institutions) or creating channels to influence important decision-makers (for the case of captured institutions). These approaches, from the ones focusing solely on the "field" level to those considering the possibility of influencing the wider institutional environment, view the institutional environment as *exogenously given*, *perceived as legitimate by private firms*, and *not subject to being contested*. In fact, Dorobantu et al. (2017) acknowledged that firms could potentially *change* the institutional environment and called for studies that take this possibility into consideration—a call to which this paper responds. A recent contribution by Luise, Buckley, Voss, Plakoyiannaki, and Barbieri (2022) is particularly illuminating. In that study, the authors added a new layer of complexity by showing how firms operating in a single institutional environment (e.g., a nation-state) can face different degrees of protection of their property rights in different subunits and how those variations are historically determined.

By taking into consideration political processes and the historical determinism of property rights, we show that in addition to "managing" (Mellahi et al., 2016) or "transforming" (Dorobantu et al., 2017) the institutional environment, firms can endogenously create a particular institutional environment. We thereby further generalize the role of the firm in shaping the institutional environment. It is worthwhile to note that the institutions that are endogenously created, changed, or maintained by private firms may have unique social implications. An institutional environment that protects the property rights of particular firms might not be necessarily the most socially efficient one (Libecap, 1989). It might not even be the best one for the general protection of property rights but might be the best one for the protection of the property rights of a particular firm or industry (Haber, Maurer, & Razo, 2003). Nevertheless, firms do not necessarily seek an institutional environment that maximizes general economic efficiency or that provides a "fair" protection of their property rights. Rather, they push for an institutional environment that selectively protects their property rights to facilitate the implementation of firm strategies and related governance structures. In this process, firms will seek to legitimize the institutional environment that favors them in the eyes of other members of society while at the same time delegitimize the preceding institutional environment.

DEFINITIONS OF CORE CONSTRUCTS

To analyze how firms relate to the historically determined political and economic environment, we use as our point of departure Davis and North's (1971: 6) definition of an *institutional environment* as the "set of fundamental, political, social and legal ground rules that establishes the bases for production, exchange and distribution." Economists, political scientists, and economic historians have long analyzed the *institutional environment*. These scholars, particularly the economic historians influenced by North (1990), have aimed to explain why throughout history some countries have achieved high levels of prosperity while others have not. North (1990: 3) has been highly cited in organization and management studies, particularly because of his definition of "institutions" as the "rules of the game in a society or, more formally, [as] the humanly devised constraints that shape human interaction." However, it is worth remembering that his book was also about institutional *change*, a lens through which he aimed to explain why throughout history some countries have achieved high levels of prosperity while others have not. Roughly, these intercountry income differences have been explained by historical processes that in some countries created an appropriate set of institutions, including the rule of law, constraints on government power through systems of checks and balances, and third-party enforcement of contracts. Under this environment, North (1990) maintained, property rights were respected and enforced, a crucial element for economic actors to make long-term investments and establish credible contracts with one another. Thus, studies following this approach posited that countries that did not demonstrate these characteristics were condemned to persistent poverty and instability (see Acemoglu, Johnson, & Robinson, 2001; Greif, 2006; Haber, 1997; Musacchio, 2008; Sokoloff & Engerman, 2000; Weingast, 1995; Williamson, 2011).

Unlike the institutional environment, which has garnered the interest of scholars across a range of fields, the *institutions of governance* has been the focus of organization and management scholars. "Institutions of governance" refers to the hierarchies and interfirm arrangements under a given institutional environment (Williamson, 1996). Here, it is worth citing Williamson (1996: 5) again as he stated his view on the matter: "focusing … on the institutions of governance, I mainly take the institutional environment as a *given*" (italics added). Approaches following this rationale include analyses of how firms develop different types of *institutional arrangements*, defined as those created "between economic units that govern the ways under which these units cooperate or compete" (Davis & North, 1971: 7). Under such arrangements, firms can develop and select different governance and corporate structures to reduce transaction costs arising from information asymmetry, bounded rationality, uncertainty, and opportunism in a given institutional environment (Buckley & Casson, 1976; Coase, 1937; Simon, 1991; Williamson, 1971, 1985).[3]

Following Bucheli and Kim (2015), Kim and Mahoney (2005), and Libecap (1989), we define property rights as those to use, earn income from, and transfer or exchange assets and resources. We also follow Demsetz (1964), who maintained that in defining an

[3] In Henisz and Williamson (1999), the authors analyzed how changes in the institutional environment (particularly in issues of property rights definition and protection and contractual hazards) affect firms' strategies and organizational structure. The change they took into consideration, however, was exogenous and not a result of firm strategy.

TABLE 1
Definitions of Major Constructs

Constructs	Definitions	Sources and Related Studies
Institutional environment	A set of fundamental, political, social, and legal ground rules that establishes the bases for production, exchange, and distribution	Davis and North (1971: 6), Leftwich (2006), North (1990)
Institutions of governance	The hierarchies and interfirm arrangements under a given institutional environment	Williamson (1996)
Institutional arrangement	Arrangements created "between economic units that govern the ways under which these units cooperate or compete"	Davis and North (1971: 7), Leftwich (2006)
Property rights	The rights to use, to earn income from, and to transfer or exchange assets and resources	Kim and Mahoney (2005), Libecap (1989), Haber et al. (2003)
Legitimacy	Rational validity of legitimacy: "a belief in the legality of statutory orders and the right of those appointed to exercise rule to give directions."	Weber (1922/2019: 341)

institutional environment we ultimately determine how property rights are enforced and defended. Following the same rationale, Kim and Mahoney (2005) and Klein, Mahoney, McGahan, and Pitelis (2012) added that the institutional arrangements between firms depend on how property rights are defined and specified at the institutional environment level. Scholars examining the internal dynamics of capitalism from Smith (1776/2000) to Marx (1852/1988, 1867/1992), Schumpeter (1942), Williamson (1985), and North (1990) have long agreed that, for the system to work well, private property rights must be secured.

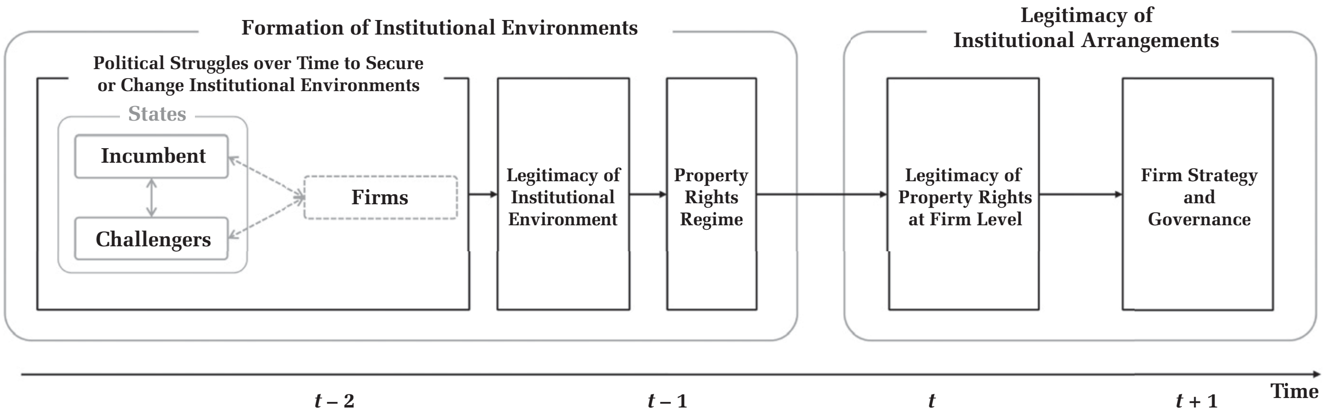
Following Acemoglu and Robinson (2006) and Leftwich (2006), we assume that the institutional environment was created through political struggles in which the winners determined how property rights were to be defined, allocated, delineated, and enforced. As those authors have maintained, depending on the outcome of these struggles, a particular institutional environment can lose its legitimacy and be replaced by another one. The winners imposing a new institutional environment will write new laws regarding the definition, allocation, delineation, and enforcement of property rights that accommodate their own interests. Tyler (2006) maintained that a political and economic regime can be considered legitimate when it enjoys a degree of cooperation from society and is not motivated by violence or coercion. As Thomassen and Schmitt (1999: 13) put it, there should be "diffuse support" from those being affected by the government's decisions. Given the context in which most organization and management theory has been written and the implicit assumption of private actors accepting the wider institutional environment as legitimate, we consider Max Weber's (1922/2019: 342) definition of the political order's legitimacy as a "rational" one in which "the rule is statutory, the legally formulated substantive impersonal order and the persons thereby appointed to exercise authority by this order are obeyed by virtue of the formal legality of its ordinances and the domain over which they have force." This type of legitimacy, as Weber himself acknowledged, is historically specific, particularly for the modern Western world, and is the result of previous political struggles between different groups (Weber, 1922/2019, 1923/2003). Table 1 lists definitions of the major constructs.

In the next section, we introduce our theoretical framework. First, we discuss the elements that enabled the creation of a particular social order in which the property rights of private actors are considered sacred and legitimate. Then we discuss how changes in an institutional environment influence its legitimacy, property rights, and the legitimacy of institutional arrangements of private firms.

THE ENDOGENOUS SHAPING OF AN INSTITUTIONAL ENVIRONMENT AND ITS IMPLICATIONS

We maintain that firms can endogenously create the institutional environment in accordance with, and to facilitate the implementation of, their strategies and governance structures. Figure 1 illustrates the conceptual model underlying the current study.

FIGURE 1
Conceptual Framework



As illustrated in Figure 1, firms in $t-2$ can form a coalition with either state incumbents or their challengers to endogenously create an institutional environment in such a way that the legitimacy of the institutional environment and property rights are shaped in time $t-1$ to legitimize their property rights and strategies or governance in time t and $t+1$, respectively, which would, in turn, provide them with better economic rents and social legitimacy. In light of this, we submit that firm strategies to maintain or change the status quo constitute one of the critical elements in the endogenous formation of the institutional environment and can be understood as forming part of strategies to legitimize their future institutional arrangement and enhance the security of their property rights. This point underscores that history matters as decisions made in the past shape the choices available today and in the future.

Formation of an Institutional Environment

In this section we discuss the formation of an institutional environment. We first discuss how, over time, political struggle leads to changes in an institutional environment or reinforces the status quo, and then we discuss the implications of changes in institutional environments on the legitimacy of an institutional environment and property rights.

Political struggles and changes in an institutional environment. Acemoglu and Robinson (2006) and North et al. (2009) developed a framework that posits that the status quo of any society is the result of previous conflicts over economic rents between different groups or social classes. Each party involved in those conflicts has an ideal set of political institutions from which they can maximize these rents. Once the conflict is settled, the victorious group will define a particular order in which the institutional environment generates a type of legislation that favors them (Leftwich, 2006). Such a group might even write a political constitution that explicitly expresses equality before the law for everyone and equal opportunities to gain economic and political power (or de jure power), but this group, having the greatest political power, will enjoy the actual power (or de facto power) (Acemoglu & Robinson, 2006; Leftwich, 2006).

The idea that an existing institutional environment results from political conflicts over economic rents has a long lineage. Marx (1867/1992) submitted that the creation of liberal democracy and a capitalist economy in the Western world emerged from a long struggle between the European bourgeoisie and the feudal order beginning in the late Middle Ages. This centuries-long process started when the merchant class, operating side by side with the rural feudal order, created in Europe's medieval cities a legal system that was beneficial to their economic interests but that conflicted with the parallel existing feudal one (Berman, 1977; Laski, 1917; Pirenne, 1937). The rise of the bourgeoisie eroded the feudal order by gradually changing the legal system that had justified feudalism, which enabled the merchant class to appropriate the means of production (Marx, 1867/1992). Later, particularly between the 17th and early 19th centuries, this merchant class gained political power after a series of revolutions through which they created a political and legal framework that fostered the creation and consolidation of liberal democracy and the market economy (Hobsbawm, 1996). Skocpol and Trimberger (1978) modified this interpretation by adding other pressures that can lead to changes in the institutional environment such as challenges from foreign countries or the need for rapid economic development.

The role of firms in shaping an institutional environment. The extant literature has predominantly focused on political or social actors as the main actors who form institutional environments by establishing and changing them. The perspective of political economy, however, does not leave much room for the inclusion of the role of firms in influencing institutional environments or of how the creation and shaping of the institutional environment are connected to governance structures. By endogenizing the formation of the institutional environment, we bring into the analysis how firms can actively engage in political activities to shape the institutional environment. As part of the same dynamic, those holding roles in the state's machinery and their challengers forge alliances with firms in various forms to fulfill their political agendas. Rulers make economic decisions that do not necessarily lead to a general improvement of welfare or economic efficiency but that do respond to strategies of political survival by rewarding members of their political coalition, which has implications for how property rights are defined and allocated (Bueno de Mesquita, Smith, Siverson, & Morrow, 2003; Eggertsson, 1990). As such, when shaping the institutional environment, firms will fight for one that defends *their* property rights (but not necessarily *all* firms' property rights) or one that improves the efficiency of their operations (but not necessarily society's overall economic efficiency).

Firms can shape the institutional environment in various ways. These range from political integration (e.g., placing some elements of the national polity under the firm's control) (Bucheli & Kim, 2012, 2015) to lobbying activities with the *incumbent* government (Anand, Ashforth, & Joshi, 2004; Etzion & Davis, 2008, Hillman et al., 2004). However, when the legitimacy of their property rights is challenged by the incumbent government, firms might forge alliances with those challenging the incumbent (and its legitimacy) to replace the incumbent and create a new institutional environment that protects their property rights.

We can illustrate the abovementioned strategies with some historical cases. As Boddewyn and Brewer (1994) pointed out, in some extreme cases a firm can integrate a country's polities within its corporate structure and even create those polities. A good example is the proto-multinationals that the Dutch and English East India Companies created to trade in Asia between the 16th and 19th centuries. In the places where those firms operated, they had monopolistic powers over trade and also political powers such as the right to appoint colonial bureaucracies and direct their own armed forces in the region (Stern, 2011).

A more contemporary example involving a publicly traded company and nation-states is the United States-based banana corporation, United Fruit Company, in Central America. During the first decades of the 20th century, this firm managed to control the exports of the banana-dependent economies of four countries and wielded a degree of influence that enabled it to promote international wars and domestic military coups, have high-ranking officials in its pocket, and determine who would hold important positions at the government level (Bucheli, 2008). In this way, the firm ensured the protection of its property rights from challenges posed by the incumbent governments as well as from actors such as the labor force. By securing a favorable institutional environment that protected its property rights, United Fruit was free to invest in the creation of a vertically integrated structure and, in so doing, replace the previous less politically risky (if a hostile government was in power) model of buying from local providers (who proved to be unreliable). The firm maintained this vertically integrated structure for as long as it was able to shape the institutional environment. Once hostile political forces emerged in the 1950s and 1960s that questioned the legitimacy of the firm's power and that United Fruit could not control, the firm opted to dismantle its vertically integrated structure despite the negative effect this had on performance (Bucheli, Ciravegna, & Sáenz, 2023).

There are also examples of firms forging alliances with challengers of the incumbent when their legitimacy and property rights are questioned by that incumbent. For example, Chile's Marxist president Salvador Allende quickly tried to change the economic model after he was elected in 1970. Allende questioned the legitimacy of the operations of foreign multinationals in Chile, arguing that they represented a relic of a past country controlled by an oligarchical elite, and accordingly he wrote expropriation laws (Bucheli & Salvaj, 2013). Some corporations, particularly the United States-based International Telegraph and Telephone Company, allied themselves with an alarmed Chilean elite who felt that its property rights were at risk and a nervous American government fearful that Chile would become a Soviet satellite.

In 1972, the Chilean government discovered the ties between International Telegraph and Telephone Company and the Central Intelligence Agency (CIA) and that sectors of the Chilean armed forces had been planning a coup, which led Allende to swiftly expropriate and expel the firm from Chile. In 1973, however, a coalition composed of the Chilean elite, the CIA, sectors of the armed forces, and foreign capital succeeded in staging a coup against Allende (Qureshi, 2008). Other examples of such alliances include the coup that the CIA staged against the Guatemalan government in 1954, when a reformist president attempted to implement an agrarian reform that would have translated into the expropriation of lands owned by the United Fruit Company (Schlesinger & Kinzer, 1990), and the coup against Iran's president Mohamad Mossadegh in 1953 when he attempted to expropriate the foreign-owned oil industry, arguing that the operations of the foreign multinationals were illegitimate because the contracts had been signed under nondemocratic regimes (Kinzer, 2004). In these cases, the incumbent was in the process of changing the institutional environment in a way that put the firm's property rights at risk. Their response was to ally themselves with those challenging the incumbent and, in this way, create a new institutional environment that ensured those property rights.

Establishing the legitimacy of an institutional environment. As discussed in the preceding subsection, a particular institutional environment is the result of previous political struggles over economic rents. Once a particular group triumphs in this struggle, it will seek to delegitimize the previously existing (and defeated) institutional environment (Acemoglu & Robinson, 2006; Leftwich, 2006). A dramatic example of this process occurred in 18th-century France. One of the first treatises that tried to understand the functioning of the economy through a scientific lens was François Quesnay's (1759/2004) *Economical Table* (*Tableau économique*), which had the very telling subtitle of "An Attempt Towards Ascertaining and Exhibiting the Source, Progress, and Employment of Riches." Quesnay, a physician in Louis XV's court, created a complex model that showed how large landowners were the main creators of wealth (calling them "the productive class") in contrast to manufacturers (or for him "the sterile class"). Legitimizing their role, Quesnay stated that "rich husbandmen, and rich country merchants, are the pillars of landed and independent states" (Quesnay, 1759/2004: 105). The events surrounding the French Revolution that took place a few decades later showed how a disenfranchised class endeavored to create an institutional environment to replace the existing regime. In their aim to finish off the last remnants of the feudal order, the revolutionaries did not limit themselves to beheading members of the nobility. They also ordered the burning of all written documentation pertaining to titles of nobility, created a new calendar in which 1789 marked the "year zero" of a new era, and wrote the *Déclaration des Droits de l'Homme et du Citoyen* (*Declaration of the Rights of Man and the Citizen*). By declaring their principles as "universal," the revolutionaries delegitimized other economic and political orders, making it difficult to challenge the social order they were creating (Marx, 1843/2012).

During the same period, philosophers defined "universal" laws of human and social behavior that made the Western rational individual, the *homo economicus*, a timeless and universal norm (Roncaglia, 2017; Wallerstein, 2004). Adam Smith (1776/2000: 14) noted the universalism of this idea when he mentioned the "certain propensity in human nature … to truck, barter, and exchange one thing for another" in his analysis of the origins of the division of labor. In short, a confluence of processes taking place in Europe in the 18th and 19th centuries legitimized the institutional environment of the bourgeoisie, which was premised on the existence of a liberal democracy, a market economy, and the sanctity of property rights, while it simultaneously delegitimized the previous feudal system based on rigid social hierarchies (Wallerstein, 2011).

Implications for property rights of changes in an institutional environment. In the long term, changes in an institutional environment and its legitimacy brought about particular ideas of how property rights would be defined and enforced. Violent stages of this conflict, including the English Revolution, the Dutch Revolt, and the French Revolution, ended with a triumphant bourgeoisie that deepened and entrenched legal changes that made the return of the feudal system virtually impossible (Hobsbawm, 1996). Once their power was consolidated in Europe, the European bourgeoisie embarked on a process of global expansion, with Great Britain and Holland leading the way (Adams, 2007; Hill, 1984). In the *Eighteenth Brumaire of Louis Bonaparte*, Marx (1852/1988) maintained that the final consolidation of bourgeois capitalism took place when, after surviving serious challenges from the lower classes in the 1848 revolutions across Europe, the bourgeoisie created the legal framework that set the foundations of liberal democracy, thus legitimizing the system that accommodated its needs. In his classic study analyzing the origins of democracies and dictatorships, Moore (1966: 418) summarized this process succinctly: "no bourgeois, no democracy."

The system created by the bourgeoisie ensured the perpetuation of its economic power by declaring private property rights sacred. Without an acceptance of the sanctity of property rights, the system they had created over centuries would collapse. Being aware that denying political rights to the rest of the population could spur further revolutions, the bourgeoisie gave most of the population political rights and freedoms (e.g., voting rights) but upheld an economic system that maintained the real political and economic power in the hands of the group that had triumphed over the previously existing feudal order (Marx, 1852/1988). The effects of this process on firms were analyzed in Veblen's *Theory of Business Enterprise*, where he stated:

> since the advent of constitutional government and parliamentary representation [in Europe] business ends have taken the lead of dynastic ends in statecraft [...] The expediency of business enterprise is not questioned, whereas the expediency of an increase in princely power and dignity, with the incidental costs, may be questioned. (Veblen, 1904/2016: 165)

Veblen (1904/2016: 167) made explicit the implications of these transformations led by the private sector and designed to legitimate a particular property rights regime by positing that "the ground of sentiment on which rests the popular approval of a government for business ends may be summed up under two heads: patriotism and property." By this, he meant that the institutional environments created after the changes in the mid-19th century gained legitimacy by equating the success of private firms with the success of the nation. "The natural rights basis of ownership," Veblen (1904/2016: 169) explained, "is by this paralogism preserved intact, and the common man is enabled to feel that the businessmen in the community add to the aggregate wealth at least as much as they acquire a title to."

Although not directly influenced by Veblen (1904/2016), Beard (1913) emphasized this interpretation when examining the origins of the Constitution of the United States, claiming that this document, which defines the U.S. institutional environment, was written in a way that ensured the protection of the interests of the American merchant class—that is, it defines property rights and their protection in ways that are based on the interests of merchant groups. Based on his study of postrevolutionary France, Weber (1976) (in line with Tyler, 2006) posited that after a drastic change in the institutional environment a new regime can be considered legitimate once it has the power to extract taxation from its subjects without resorting to coercion or violence, a condition that Brewer (1990) also found for England for the period between the Glorious Revolution (1689) and the consolidation of the British Empire.

The creation of the post-1848 Western European liberal democracies did not mean that capitalism and democracy remained unchallenged. New threats emerged with the uprising of the Paris Commune in 1871, the rise of communism and fascism in the first half of the 20th century, and the communist threat during the Cold War. Subsequent reforms to the system, such as Bismarck's welfare policies in Germany, the New Deal in the United States, antitrust legislation, the post-World War II Western European social welfare system, or antidiscrimination legislation were not threats to the system but rather ensured the stability of existing institutions and mitigated internal disruptive forces (Dudziak, 1988; Eichengreen, 1996). George Orwell's (1948/2002) essay on the work of British novelist Charles Dickens provides a good illustration of this effect. Dickens has been considered a harsh critic of the conditions of the British working class near the end of the 19th century, but Orwell (1948/2002) pointed out how Dickens did not object to the system as a whole and located the roots of the problems in the personal morals of some of those in positions of power. For Orwell (1948/2002: 138–139), Dickens's main message was "if men behaved decently, the world would be decent." This view, he maintained, made Dickens acceptable to those members of the new society created after the Industrial Revolution who were sensitive to existing urban poverty.

In terms of Acemoglu and Robinson's (2006) and North et al.'s (2009) framework, the triumphant groups created an institutional environment that favored their interests and provided them access to economic rents while at the same time giving de jure power to other groups that could enjoy political rights but were at an economic disadvantage.

Effects of the Legitimacy of the Institutional Environment on the Legitimacy of Institutional Arrangements

In the preceding section, we discussed the creation, change, and maintenance of institutional environments, focusing on the political struggles between incumbents, challengers, and firms, and the implications of these for the legitimacy of institutional environments and property rights. In this section, we turn to the legitimacy of institutional arrangements and discuss the implications of shaping institutional environments for the legitimacy of property rights at the firm level and how the latter influences firms' strategies and governance.

Legitimacy of property rights at the firm level. The formation of a particular property rights regime is a political process that reflects the conflicting interests and bargaining powers of political entities (Libecap, 1989). That is, over time, political struggles between incumbents, challengers, and firms shape facets of the institutional environment, including property rights. Changes in property rights would, in turn, influence the system of economic incentives and thus how resources are allocated (Eggertsson, 1990). As such, the institutional environment influences the types of organizations prevailing in a particular market and their evolution (North, 1990). In this light, an analysis that considers the possibility that certain actors create, change, or maintain the institutional environment enables us to rethink how some of the previously existing legitimacy of property rights and institutional arrangements can be delegitimized or even further legitimized after these actors' efforts.

Cases related to the historical process that led to the creation of capitalism serve as useful examples here. Take the radical changes brought about by the French Revolution as an example. After creating a new legal framework and promoting an ideology that delegitimized the previous regime, the revolutionaries systematically punished organizations that had benefited from the Ancien Régime by stripping them of previously acquired commercial rights in the nascent French overseas empire, even though these firms were far from being remnants of the feudal economic system and were playing a role in expanding French commerce around the world (Bouton, 2012).

Similar radical changes took place almost two centuries later following the European decolonization of Africa in the 1960s. Decolonization radically changed the institutional environment on the continent by creating new independent countries. After the newly created governments seized foreign property, those affected protested, arguing that those expropriations were illegitimate and violated the sanctity of contracts and property rights. Moreover, they maintained that international law prohibited such actions. The new African rulers responded that their actions were legitimate because there was no reason why they should follow rules regarding private property that had been written, mandated, and implemented by foreign, unelected, colonial masters at a time when their own nations did not even exist and therefore did not have a say in making those rules. The same applied to the international law brandished by foreign corporations, which the new governments saw as a body of regulations written by their former oppressors for their own benefit and that their nations had played no role in writing. In short, they considered the institutional environment under which the previous contracts had been written as illegitimate (Rood, 1976). The expropriations destroyed the global governance structure of several firms, and after these actions, previously foreign-owned industries were managed and owned by domestic governments or local entrepreneurs (Decker, 2008, 2010, 2022a).

A similar argument was used decades later in South Africa, but this time to support the expropriation of domestic property owned by ethnic White people. After Nelson Mandela's release from jail in 1990, some members of the African National Congress's radical wing argued that contracts signed under apartheid should be declared void because they had been signed under a racist, undemocratic regime (Bond & Sharife, 2009). Those advocating this point were defeated by Mandela's wing, which supported the 1990 Groote Schuur agreement that the African National Congress signed with the last apartheid president, Frederick DeKlerk, committing to maintaining intact the bases of the economic system (Sisk, 2009).

Private actors can play an important role in promoting changes in the institutional environment to delegitimize the property rights (and institutional arrangements) of other private actors. Telling examples include the expropriations conducted by the governments of Ghana and Nigeria in the 1960s and 1970s. The governments delegitimized the property rights system previously created by the British authorities that had enabled the establishment of businesses by Lebanese immigrants and people from other parts of the Empire (including India and Hong Kong). The business community of this newly independent country pushed for new laws by which these now "foreign" businesses were expropriated, and property was transferred to domestic businesspeople (Bucheli & Decker, 2021). These examples illustrate how a particular group continued to defend private property, but under a new definition.

The Endogenous Shaping of an Institutional Environment and Its Implications for Firm Strategy and Governance Structures

The institutional environment that provides the structure of property rights determines the institutional arrangements in a society, including firm strategies and governance structures. As such, when property rights are delegitimized or further legitimized at the firm level, firms that participated in the process of the endogenous shaping of the institutional environment can now implement strategies and governance structures in pursuit of their business interests. In this section, we illustrate using historical examples the process of the endogenous shaping of an institutional environment and its implications on firm strategy and governance structure.

An endogenous shaping of the institutional environment can be found in some of the current Western powers. A telling example is the case of the collusion of the so-called U.S. "robber barons" Andrew Carnegie, John D. Rockefeller, and J. P. Morgan in the election of American president William McKinley. After having created huge business empires through aggressive processes of vertical and horizontal integrations in their respective industries, these magnates came together to provide unprecedented generous funding to Republican candidate McKinley's 1896 presidential campaign against William Jennings Bryan, who campaigned with a platform against the big "trusts" in transportation, energy, and finance (Waterhouse, 2017). Bryan's defeat was followed by the "great merger movement" in which large firms consolidated into even larger giants without being challenged by antitrust legislation (Lamoreaux, 1985). This shows how, after ensuring the consolidation of a particular regime of property rights, private firms could also advance and solidify certain types of governance structures. As studied by Chandler (1977), during this period, American corporations organized themselves in large hierarchical organizations that operated nationwide. U.S. institutional arrangements (in the form of large multidivisional firms) were protected by a wider institutional environment that they could trust. This reached such an extent that some of these multidivisional firms expanded in the same form as multinational corporations following the territorial, political, and economic expansion of the United States (particularly in the Western Hemisphere, first in the Caribbean after the U.S. triumph in the Spanish-American War and later with the gradual replacement of Britain by the United States as the hegemonic power in the hemisphere) (Mills & Miller, 2020; Wilkins, 1970).

The early 20th-century American institutional environment was not impervious to challenges to firms' property rights, which led firms to develop more strategies to shape this environment. In 1912, feeling threatened by new lawmakers more willing to avail themselves of antitrust legislation, the American business community created the U.S. Chamber of Commerce, which gradually evolved into an organization that established a working relationship with the courts and lawmakers in the writing and interpretation of corporate law (Phillips-Sawyer, 2017). The creation of the U.S. Federal Reserve has also been pointed out as having resulted from the efforts of the American financial sector to benefit from international banking (Broz, 1997), opening the door to spectacular growth in the financial sector. A similar dynamic has been found in the case of Britain and the role played by the financial and merchant elite in shaping the policies of the British Empire in the late 19th century (Cain & Hopkins, 2016). The British institutional environment and its global-oriented nature in that era led to the creation of particular forms of governance, such as the "free-standing companies," which were multinationals that did not grow out of a domestic market but had international operations from the outset (Wilkins, 1986).

Examples found in countries that underwent late industrialization illustrate this process in other economies, which helps us to explain differences in firms' governance structures. For instance, in South Korea during the Park Chung Hee regime of the 1960s and 1970s, the military government embarked on an ambitious project to break with the country's agrarian past and move toward an industrial model that planned to implement deep social changes. This authoritarian regime favored the operation of large, diversified conglomerates (or chaebols), which became the backbone of the country's economic transformation, while delegitimizing its rural past (Amsden, 1989). The transformation has been described as one in which the

> distinction between public and the private [is] misleading; rather the "public" and the "private" were instead "rolled into one" … State-business ties in Park's South Korea were … so intertwined that it is difficult at times to disentangle the role of the state-defined public purpose of growth of GNP from the role of private profit motives. (Kohli, 2004: 96–97)

Despite these close links, during the Park regime and the one that followed (1979–1987), chaebols played the role of junior partners of the military. The electoral political regime of the following decade (1987–1997) sought to decrease the role of the state in the economy, something that enabled the chaebols to become more independent. This decade has been dubbed the "Chaebol Republic" and described as one in which "policies were mostly tailored to suit the interests of the chaebol. The chaebols demanded the withdrawal of the government from economic intervention and economic liberalization [while the chaebols still enjoyed] governmental protection from foreign investors" (Kalinowski, 2009: 291). In short, market liberalization worked to the benefit of the chaebols. The 1997 economic crisis, however, delegitimized the chaebols' power. Presidents Kim Dae Jung and Roh Moo Hyun proposed a "dual transition" toward a "democratic market economy," marking a clear shift away from the previous one that was less democratic and more chaebol-dominated (Kalinowski, 2009).

The case of the Colombian coffee industry provides us with another example. After gaining its independence from Spain in the early 19th century, Colombia went through a chaotic period of civil wars and an economy dominated by successive commodity booms and busts. A destructive civil war (1899–1902) consolidated the triumph of those eager to insert the country into global markets and bring about political stability. Coffee exports were the first stable export commodity that also unified the national economy and provided the state with a steady source of income. In 1927, facing a drop in international coffee prices, the coffee bourgeoisie organized itself into the National Coffee Growers' Federation (or FNCC in its Spanish acronym) as a way to promote policies favorable to their interests. The start of the Great Depression led the FNCC to push for changes in fiscal and monetary policies to favor coffee exports, including the abandonment of the gold standard, having a seat on the board of directors of the Central Bank, and having the government fund a bank that would grant loans to the coffee sector at favorable rates. The FNCC argued that, if the coffee sector collapsed, Colombia would return to a period of political and economic chaos. In the 1930s, the FNCC negotiated on Colombia's behalf in international forums seeking agreements in the coffee markets and, in the early 1940s, it was given the power to manage a good portion of coffee export taxes. Throughout the 20th century, the FNCC embarked on very aggressive domestic marketing campaigns that connected its fate with that of the nation (Bucheli & Sáenz, 2022). Palacios (2002: 211) described the process as one in which the coffee bourgeoisie "wed its class interests to the state in a form as indissoluble as an old Catholic marriage then was." As a result, the FNCC succeeded in having most government policy geared toward supporting the coffee industry. This led to a very particular form of governance by the FNCC, which has been described as "para-statal" because of the porous borders between the coffee elite and the Colombian state (Leal & Dávila, 2010: 136).

A number of examples go beyond the bounds of this paper, but the ones we mention here illustrate the idea that the private sector can shape the larger institutional environment (without challenging it) to benefit its institutional arrangements and property rights.

DISCUSSION

We contribute to the literature on institutional environments by illuminating the role of firms in endogenously shaping the institutional environment and its related property rights regime. The interaction between firms and the institutional environment has received increasing attention in recent research, particularly by scholars interested in nonmarket strategies (see reviews by Dorobantu et al., 2017; Mellahi et al., 2016; Sun, Doh, Rajwani, & Siegel, 2021), with a good number of them using North (1990) as their starting point to define the characteristics of the institutional environment (e.g., Delios & Henisz, 2000; Dorobantu et al., 2017; Henisz, 2000; Henisz & Zelner, 2001). However, the antecedents of an existing institutional environment have been largely neglected by organization and management literature. Dorobantu et al. (2017: 116) explicitly acknowledged the changing nature of the institutional environment and the role private firms play in it by summarizing North (1990) in the following statement: "Underlying the evolution of institutions are thus the activities of firms, interest groups, and coalitions competing to protect and further their own interests." We agree with this statement but expand its scope by also bringing into the analysis the contestability and legitimacy of the institutional environment and the implications this has for property rights regimes and governance structures.

We also go beyond the literature on corporate political activity (De Villa, 2021; Hillman et al., 2004; Hillman & Wan, 2005) in the sense that we do not exclusively consider lobbying activities from firms. Although lobbying can shape the institutional environment, it rarely aims to challenge its legitimacy, but it operates under the assumption of a legitimate institutional environment.

Our endogenous process model suggests that the characteristics of the institutional environment should not be considered as mere background conditions but as an integral part of what determines how firms interact with each other and with other actors in society, including the government. In a review of the state of the field, DiMaggio and Powell (1991: 28), borrowing from Burns and Flam (1987), called for studies that pay attention to how "major political struggles in modern societies revolve around the formation and reformation of rule systems that guide political and economic action." Powell also urged scholars to take into consideration heterogeneity in institutional environments and the processes that lead them to change, adding that

> political and institutional forces set the very framework for the establishment of economic action; these processes define the limits of what is possible … institutional processes help shape the very structure of economic arrangements … Organizational forms are socially constituted in both a legal and political sense. (Powell, 1991: 183)[4]

Jepperson and Meyer (1991: 205) posited that organizations need to be understood in their institutional context, given that they are publicly legitimated, and they criticized organization and management scholarship for "[ignoring] systemic historical and political sources of [formal organizations]." Suddaby, Foster, and Mills (2014) maintained that disregarding historical processes has led organization and management scholars to also ignore sources of change coming from the wider environment. Finally, Scott (2008) called upon scholars to study organizations in the context of what he referred to as "background conditions," meaning the institutional framework studied by North (1990). In this paper, we take institutional environments as "foregrounds" where firms and governments interact in ways that legitimize or delegitimize the regime of property rights. More importantly, our endogenous perspective underscores that firms play an active role in shaping the institutional environment through their interplay with governments.

We also contribute to the scholarship on property rights that consider how these rights evolve and are historically determined and the implications of this for firms' governance structures. In his classic study on the nature of the firm, Coase (1937) maintained that firms exist to address transaction costs resulting from market frictions. This idea later inspired studies that explained the existence of the vertically integrated corporation as a governance structure that aims to reduce transaction costs resulting from incomplete contracts, bounded rationality, and opportunism (Casson, 1986; Williamson, 1985, 1996). By vertically integrating, a firm acquires more assets, which Coase (1960) viewed not as simple units owned by the firm but as bundles of rights (see also Kim & Mahoney, 2010; Foss & Foss, 2005). Following this rationale, Buckley, Luise, and Voss (2023: 1117) maintained that "bundling includes distributing ownership rights, control rights, and other decision rights." In this way, Buckley et al. (2023) added that differences in the configurations of governance structure mean differences in the allocation of property rights. Therefore, the same configuration of a structure of governance will translate into different types of property rights under different legal systems (Bucheli et al., 2023). We add to these interpretations the fact that legal systems are subject to change, which can lead to changes in the property rights regime of particular assets owned by a firm (e.g., under certain regimes, vertical integration can be a safe governance structure, but under others—especially those that expropriate private property—vertical integration can be a source of risk). More importantly, we also add that firms have the possibility of actively shaping the institutional environment in a way that protects their assets and, in turn, protects particular governance structures.

New institutional economists have developed lenses to analyze how markets are created as a result of political processes, forcing us to look at the institutional arrangement as historically determined and mainly of a political nature (Brousseau & Glachant, 2014). Bucheli et al. (2023), Nickerson and Bigelow (2008), and Oxley and Silverman (2008) proposed methods for analyzing a firm's strategies and organizational structure in the context of different institutional environments (in which differences in political systems and economic policy are crucial). Anderson, Árnason, and Libecap (2014) developed a useful theoretical discussion around the historical origins of particular legal systems and the property rights of private corporations. Bucheli and Kim (2014) suggested ways of integrating the field of political history within the questions that are relevant to organization and management scholars. Bucheli and DeBerge (2024) show the benefits of historical research to understand the strategies of multinational corporations in times of political challenges. We acknowledge the achievements of different scholars that have found an association between the protection of property rights and political regimes (in which they conclude that democracy offers better protection than dictatorships: Henisz, 2000; Henisz & Zelner, 2001; Jensen, 2006), but using scores to determine whether the power of an executive is more or less constrained does not capture how legitimate a ruler might consider some property rights to be. We contribute to this stream of

[4] An important contribution that has taken these elements into account can be found in Luise et al. (2022).

literature by adding that the political regime's background, its perceived legitimacy, the regime's contestability by challengers, and how these challengers aim to delegitimize the existing institutional environment play important roles in shaping the institutional environment.

Our study sheds light on the importance of adopting a historical approach in studying the evolution of institutional environments and property rights. The history behind a particular regime, as well as the degree of contestability and stability it enjoys, can provide us with strong analytical tools to understand why property rights are more secure in some regimes than in others. In fact, during the early 2010s, few Western investors seemed to be worried about the security of their assets in the authoritarian People's Republic of China, but were, however, more concerned about their assets in more democratic Argentina. The complexities of political regimes, the stability of the coalitions that keep them in power, and their perceived legitimacy require careful analysis of those regimes' antecedents. Several scholars have been concerned about the separation between those studying the institutional environment and those interested in institutional arrangements (Suddaby et al., 2014). Pioneering studies that set the foundations of what later would be known as "institutionalism" analyzed organizations' long-term evolution within their wider social and political environment (e.g., Selznick, 1949). After the 1980s, however, an emphasis on hypothesis-testing research using quantitative methods discouraged studies that adopted a historical approach or that considered wider social and political issues (Üsdiken & Kipping, 2014).

The type of research we advocate requires an interdisciplinary approach that combines the analysis of the institutional environment through political and economic history with organization and management studies of institutional governance. Classic authors in organization studies called for research that considers changes over time as well as the role of the state (Barley, 2010; DiMaggio & Powell, 1991; Jepperson & Meyer, 1991; Powell, 1991; Scott, 2008), while others called for a historical contextualization of institutional arrangements (Buckley, 2021; Feinberg, Hill, & Darendeli, 2015; Suddaby et al., 2014) capable of accounting for the changing legitimacy of the state (Bucheli & Kim, 2014; Stevens, Xie, & Peng, 2016). Conducting historical research can involve painstaking archival research, and it can be extremely time-consuming. Although the academic division of labor would consider this to be the job of a historian, several scholars have developed methodologies for organization and management scholars to analyze historical sources (Argyres, De Massis, Foss, Frattini, Jones, & Silverman, 2020; Decker, 2013, 2022b; Decker, Foster, & Giovannoni, 2023; Kipping, Wadhwani, & Bucheli, 2014; Lipartito, 2014) or to integrate historical research within the questions relevant for organization and management studies (Bucheli & DeBerge, 2024; Buckley, 2021; Jones & Da Silva Lopes, 2021; Jones & Khanna, 2006; Rowlinson, Hassard, & Decker, 2014; Verbeke & Fariborzi, 2019; Wadhwani & Bucheli, 2014). Organization and management scholars are lucky to have access to thousands of works on the political and economic history of many nations that explain the evolution of the institutional environment (for a useful guide, they can consult the collection edited by Blum and Colvin [2018]). We have reasons to feel optimistic about the future of this type of approach. Recent times have witnessed a rise in the interest in historically informed research in organization and management studies in which the historical context has been an integral part of the analysis and the development of theories (see essays by Argyres et al., 2020; Jones & Khanna, 2006; Wadhwani, Suddaby, Mordhorst, & Popp, 2018). This renewed interest has even led some scholars to talk about historical studies in organization and management studies as going from "margin to mainstream" (Üsdiken & Kipping, 2020).

CONCLUSION

The definition, delineation, and enforcement of property rights depend on the particular characteristics and legitimacy of the wider political and economic environment (or institutional environment). Organization and management theories assume this institutional environment is given, fixed, and exogenous to the firms. Drawing on the literature of political economy and social, economic, and business history we relax this assumption and consider the institutional environment as the result of political struggles between different actors who (if successful in this struggle) will define a particular regime of property rights. We maintain that private firms can actively participate in shaping the institutional environment by legitimizing an existing one that protects their property rights or delegitimizing (and seeking the replacement of) another one that threatens their property rights. Our findings show the importance of including issues of political economy in organization and management theory, taking into consideration long-term historical processes, and developing organization and management theory in dialogue with studies from political economy and business and economic history.

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