The role of corporations in addressing non-market institutional voids during the COVID-19 pandemic: The case of an emerging economy

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Abstract

International business scholars have been urged to investigate how multinationals respond to grand challenges, one of which has been the COVID-19 pandemic. We provide insights into how corporations have mitigated social and economic externalities triggered by the pandemic in the presence of non-market institutional voids – policy failures in the provision of collective goods. We distinguish between corporate responses to long-term chronic voids and to acute voids that are contingent on crisis situations. We identify six categories of initiatives undertaken in Brazil by 55 Brazilian and foreign-owned multinationals. Due to their international experience, foreign multinationals appear to be better equipped than local ones to pursue standardized non-market initiatives, based on their technical capabilities and their established trust-based relationships with international foundations. This issue merits further investigation. We suggest that our analytical framework for understanding events and corporate responses in Brazil during the COVID-19 pandemic can be applied to many other emerging countries, and hence could be useful to policymakers, businesses, and other types of organizations in confronting acute crises in contexts where institutional failures are persistent. The ability of multinationals to alleviate sources of socio-economic disruption also advances the ongoing debate over the future role of the corporation in society.

Keywords: multinational corporations; non-market institutional voids; policymaking; Brazil; emerging markets

INTRODUCTION

International institutions have acknowledged that COVID-19 is “much more than a health crisis. It is a human, economic, and social crisis” (United Nations, 2020). The Brookings Institution (2021) recognizes that COVID-19 has hit developing countries hard and, according to the United Nations Development Program, “threatens to deepen disparities and is pressing countries to their limits, stressing the cracks in economic, social, and political structures” (UNDP, 2021). Brazil, the focus of this article, was
described by commentators as being on the brink of institutional and political collapse (Economist, 2021) due to its inability to cope with the COVID-19 pandemic. The evolution of the pandemic in Brazil is of particular interest because its public policy toward the pandemic has been marked by intense politicization, which has exacerbated non-market institutional voids (Doh et al., 2017; Khanna & Palepu, 2010) and non-market institutional voids (Doh, Rodrigues, Sak-Helmhout, & Makhija, 2017; Boddevyn & Doh, 2011). There was political infighting and governmental hesitation over measures to combat the spread of the disease and to deal with its economic and social effects (Bustamante & Meyer, 2021; Hartwell & Devinney, 2021; Peci, Avelhaneda, & Suzuki, 2021) in conditions of chronic deficiency such as a poor health infrastructure and social inequality.

Brazil during the COVID-19 pandemic offers a critical case for understanding a key issue in IB scholarship, namely how corporations interact and respond to institutions. Like most emerging economies, Brazil is rife with institutional voids both of a market (Khanna & Palepu, 2010) and non-market nature (Doh et al., 2017). We shall argue that the analysis of non-market institutional voids developed by IB scholars is crucial to understanding institutional and corporate responses to the COVID-19 outbreak in Brazil and in other emerging economies. Non-market voids became more visible during the pandemic and put pressure on multinationals to develop initiatives within and outside their core business in a way that complements but differs from their ‘normal’ adjustments to market challenges (Lundan & van Assche, 2021; Muzio & Doh, 2021; Van Assche & Lundan, 2020; see also Marinov & Marinova, 2020), highlighting the risks and institutional weaknesses exposed by the pandemic, which forced multinationals to operate in a mode of constant crisis (Muzio & Doh, 2021).

Scholars have noted that the pandemic has led to significant disruption in formal and informal markets (e.g., Narula, 2020) and changes in the structure and functioning of supply chains. (e.g., Van Assche & Lundan, 2020; Verbeke & Yuan, 2021). They have observed that multinationals are changing their global strategies (e.g., Hitt et al., 2021; Wenzel et al., 2020) by adjusting their supply chains and making greater use of digital technology (Buckley, 2020; Kobrin, 2020; Shih, 2020; Verbeke, 2020; Zhan, 2021), by redefining their interdependent relations with markets (Muzio & Doh, 2021) and their CSR policies (Lundan & Van Assche, 2021; Srinivasan & Eden, 2021), as well as by changing their modes of internal organization (Foss, 2020) and external governance (Kano & Oh, 2020; Levy, 2020). Some corporations have even restructured their business through retrenching and exiting markets (Kafouros et al., 2021; Wenzel et al., 2020).

Consistent with this emphasis on markets, the current literature has mainly examined the relevance of institutional voids for business strategies in emerging economies by referring to their consequences for market demand and supply (Buckley, 2020; Manikandan & Ramachandran, 2015). This line of work has focused on corporate adjustments to market voids (e.g., Doh et al., 2017; Khanna & Palepu, 2010). On the demand side, gaps in institutional services can offer new market opportunities for corporations (Khanna & Palepu, 2010; Liedong et al., 2020). On the supply side, the question arises of how firms attempt to limit the transaction costs that institutional voids create and the risks they pose for proprietary resources in foreign markets (Doh et al., 2017; Kingsley & Graham, 2017). This approach typically considers institutional limitations such as deficiencies in transport infrastructure, weak contract enforcement, and inadequacies in intermediary services that prevent a company from taking full advantage of its capabilities.
of its internal capabilities. Paradoxically, these inadequacies may be transformed into opportunities by multinationals by adapting or building new capabilities or re-shaping the environment (Kafouros et al., 2021; Khanna & Palepu, 2010; Liedong et al., 2020; Wenzel et al., 2020).

The present article seeks to enrich this discussion by addressing a topic that has received less consideration. Rather than exploring firms’ adjustments to the market challenges presented by the COVID-19 pandemic, we examine corporate responses to the challenges posed by non-market institutional voids during the pandemic. More specifically, we ask whether the contribution of firms to mitigating the impacts of the COVID-19 pandemic signal that they can internalize, complement, or substitute for the role of public institutions in a manner comparable to the initiatives they take when addressing market strategies (Doh et al., 2017; Khanna & Palepu, 2010). The discussion of these issues enables us to highlight a broader question concerning the future role of corporations in society.

We proceed as follows. We first establish the analytical context of the article by considering how the politicization of policymaking creates conditions for non-market institutional voids to thrive. After describing our methodology and indicating our sources, we then focus on the case of Brazil, where politicization over the policy of social isolation resulted in an institutional inability to cope effectively with policy-negative externalities. Next, we discuss how this context created opportunities for corporations to alleviate the crisis by providing collective goods through several non-market strategies. We then offer a categorization of these corporate responses. Finally, we bring together the strands of our analysis and discuss their implications for the social role of multinationals.

Non-market Voids and the Politicization of Policy

Rather than being solely a rational, analytical process, policymaking occurs in a context of pluralism whose outcomes reflect negotiation, adjustments, and bargaining between divergent interests (Child et al., 2010). Because of its focus on political gains, politicization prevents full consideration of the consequences of public choices, frequently leading to failures in implementation. When issues are contentious and decisions are interest-based (Hartwell & Devinney, 2021; May, 2015), ‘a policy fails, even if it is successful in some minimal details, if it does not fundamentally achieve the goals that proponents set out to achieve, and opposition is great and/or support is virtually nonexistent’ (McConnell, 2015: 230). Inconsistencies in policymaking also encourage poor integration between the agencies responsible for policy enforcement (Velasco-Guachalla, Hummel, Nelson-Nunez, & Boulding, 2021). The process creates disconnects between policymaking and implementation (Howlett et al., 2015), with the limited legitimacy of decisions undermining their ability to effect change.

Researchers have suggested that institutional voids arise when the process of making policy decisions is highly politicized (Howlett, 2012; Van Zanten & Van Tulder, 2020). The politicization of crises reveals long-term institutional failures as policymakers usually do not allow for the possibility that these failures can become acute when crises arise (Bryce et al., 2020) or consider that their institutions are already operating close to the limit. The COVID-19 crisis has hit developing countries harder because their institutions were already under strain (Kunicova, 2020). Nevertheless, the evolution of the pandemic in the USA (Hallas, Hatbie, Majumdar, Pyarali, & Hale, 2020) and the UK (Atkinson et al., 2020) has shown that even in developed countries, policies were constrained by a continuing minimization of human resources and infrastructure in the health system. The British health service’s response to COVID-19 suggests that pre-existing institutional failures (an excessive emphasis on ‘lean’ and ‘just in time’ processes due to the politics of austerity) took away the slack in the system necessary for an adequate response to sudden and disproportionate increases in the demand for hospital support.

COVID-19 has therefore severely tested the ability of institutions in many countries to provide for basic health, employment, and sustenance needs, weaknesses that result from long-term failures in government policy to promote social well-being (Boddeyn & Brewer, 1994). Boddeyn and Doh (2011: 347) argued that government ineffectiveness in delivering collective goods – “commodities, functions, and services that provide positive externalities (health, education, communication, transportation, water, and electricity to local collectivities)” – is common-place, but this inadequacy becomes most apparent during crises or exogenous shocks. Crises such as the COVID-19 pandemic create a discontinuity in social structures (Muzio & Doh, 2021) which disturbs the delivery of social goods, and requires new learning and ways of doing things (Fligstein & Vogel, 2020).
To better understand the context in which corporations addressed the pressures on resources imposed by the global spread of COVID-19, we draw a distinction between non-market institutional voids that are chronic and acute voids that are contingent to crisis situations. Chronic structural voids are difficult to change and create institutional disadvantages that accumulate and crystalize over time (Rodrigues, 2013). Acute institutional voids arise when punctuations in the normal socio-economic equilibrium occur (Romanelli & Tushman, 1994; Wollin, 1999), leaving standard adaptations to chronic voids unable to cope. They may arise from sudden environmental disasters and other unexpected events that negatively impact a particular sector or segment of society. An example of an acute void is when healthcare resources are inadequate to deal with an unanticipated demand for hospital services. Because they create significantly greater pressures on resources and processes, acute situations can intensify chronic voids, sometimes through the unintended consequences of policies designed to address them.

The World Health Organization and politicians in many countries believed that public policies intended to limit the spread of the corona virus - especially social isolation - could significantly reduce new pressures on already-scarce medicines, equipment, and hospital resources. However, we shall show that in the case of Brazil, this policy can at the same time adversely affect informal markets with severe consequences for the distribution of collective goods. Mair et al. (2012) argue that informal markets can usually substitute or compensate for chronic structural gaps in the economy because the boundaries of formal and informal markets are permeable and interdependent. Specifically, chronic failures in formal markets offer socially and economically vulnerable groups opportunities to engage in informal market activities.

Crises such as the COVID-19 pandemic disrupt informal arrangements (Perugini & Vladisavljevic, 2020), threatening the survival of informal entrepreneurs and enterprises. Accordingly, as Narula (2020) points out, the crisis has affected poorer communities more profoundly. Their social security systems are fragile, and they suffer from a lack of resources and access to basic services. In other words, the coping mechanisms to deal with ‘normal’ chronic deficiencies in resource supply and delivery mechanisms come under severe strain during crises (Kano & Oh, 2020).

**METHODOLOGY**

We draw upon several sources of information on the evolution of the COVID-19 pandemic in Brazil and worldwide, particularly those published by the Blavatnik School of Government at the University of Oxford. For policy responses to the pandemic in Brazil, we examined reports and articles on the country’s social isolation practices. For evidence on the political origins of non-market voids, arising from the tensions between policy conception and implementation, we referred to reports of presidential discourses, and decisions by the Congress and Supreme Court. Our analysis of underlying long-term non-market institutional voids draws from reports on urban mobility and agglomeration, and on the availability of running water, sewage, and other infrastructural systems. For identifying more acute voids directly related to health resources for the treatment of COVID-19, we consulted reports on the availability of hospital beds, personal protection and other equipment, medicines, ambulances, and the like.

Our analysis of corporate initiatives relies primarily upon a database of the assistance that companies provided for addressing the pandemic, supplemented by information from company and NGO websites. This database is compiled by the Brazilian Association of Fundraisers – ABCR.1 From that database, we selected the Brazilian and foreign companies that each contributed cash donations and/or undertook other initiatives toward alleviating the pressures imposed by the pandemic valued at US $3 million and above, during the period March 31, 2020 to July 31, 2021. We set this threshold for contributions in order to increase the likelihood that the sample would consist primarily of larger multinational companies. We complemented the ABCR data with information on international donations provided by the American Chamber of Commerce. To gain a broader perspective, we also interviewed key actors, such as the Prize-Winner in CSR, Leomar Prunzel from Stihl and Marcia Woods CEO of ABCR, together with accessing interviews given to the media by Edu Lyra, the President of the NGO Gerando Falçôes. Our principal documentary sources are listed in Table 1.

We used categorization, classification, and typology building as an acknowledged research strategy to understand a new phenomenon and to construct theory in international business (see Aguilera, & Groggaard, 2019; Cuervo-Cazurra, & Genc, 2012; Fransen, Kolk, & Rivera-Santos, 2019; Hennart,
We adopted the following steps for analyzing the ABCR data on corporate responses. We first distinguished between foreign and national Brazilian multinationals and included only unitary companies. Our sample consists of 32 Brazilian and 23 foreign firms. Among Brazilian firms, we only selected multinationals, namely companies having operations in other countries. In view of our focus on Brazilian and foreign multinationals, our sample excludes initiatives undertaken by institutes, foundations, associations, families, networks, and clubs. We also excluded actions by firms which were not clearly directed at addressing the COVID-19 pandemic or its consequences. We analyzed 113 identifiable corporate initiatives, including both those that contributed to mitigating acute voids presenting short-term problems as well as initiatives that addressed chronic voids of a longer-term and underlying nature. Online Appendix A lists the sampled firms and the value of their contributions, while Online Appendix B describes the nature of their responses.

The second step involved a categorization of corporate initiatives according to two criteria: (1) whether they primarily addressed acute or chronic voids, and (2) their potential beneficiaries – individuals, communities, or social institutions. The two authors conducted the first round of categorization, and a research assistant subsequently checked their categorization independently before a final version was agreed. This analysis identified three modes of responses to acute voids (Providing, Supporting, and Adapting) and three to chronic voids (Innovating, Enhancing Capabilities, and Promoting Social Inclusion), the characteristics of which are defined in Table 2. Responses to acute voids are distinct from those to chronic voids. Responses to acute voids involve immediate actions such as temporary adjustments to firms’ products and activities to meet the urgent needs of individuals, communities, and institutions. Those responses to chronic voids entail long-term investments and outcomes. So, for example, the category “adapting” refers to temporary adjustments in product lines or processes, whereas “innovating” refers to the development of new products and processes which potentially extended a firm’s business and markets while also addressing social needs. Similarly, while “providing” and “enhancing capabilities” can both include financial donations, the former refers to rapid responses to urgent needs, whereas the latter refers to activities aimed at improving the functioning of other organizations or individuals. We endeavored to avoid overlaps between the six categories of response while at the same time allowing for multiple responses by any one firm. The six categories we identified are not mutually exclusive insofar as firms often undertook more than one type of initiative at the same time.

There are some limitations to our sources. The ABCR data relies on self-reporting by donor firms, which may give rise to some inaccuracies and incomplete information. We tried to reduce this problem by accessing the companies’ own websites, and by consulting information published by other data sources such as Forbes (2020), Valor Economico (2020), Exame (2020), and Veja (2021).
examining the events while the COVID-19 pandemic is still in progress, we are in effect adopting the phenomenon-based approach described by Doh (2017), in which an investigation develops as events unfold.

### Table 2  Modes of corporate response to non-market institutional voids in Brazil

| Corporate roles | Responses to acute voids | Corporate roles | Responses to chronic voids |
|-----------------|--------------------------|-----------------|---------------------------|
| **Providing**   | Distributing essential consumables: food and hygiene items; personal protection devices, directly to communities, or in collaboration with communities’ representatives and leaders, through their own foundations and in association with other companies | **Innovating** | Creating new products and processes |
| **Supporting**  | Mobilizing supplies of specialized resources and services to hospitals in collaboration, partnership with health institutions and foundations | **Enhancing capabilities** | Addressing institutional weaknesses |
| **Adapting**    | Adapting the firm’s internal capacities through related diversification: re-orientation of product line to social goals | **Promoting social inclusion** | Addressing market failures |
| **Beneficiaries:** | primarily hospitals, health delivery institutions | **Beneficiaries:** Bottom of the Pyramid | **Beneficiaries:** entrepreneurs and SMEs |

**ANALYSIS**

**Political and Institutional Tensions in Brazil’s COVID-19 Policy**

Before the widespread availability of vaccines, the principal weapon against the spread of COVID-19 was social isolation. Social isolation continues to be regarded as a key measure to reduce COVID-19-related pressures on acute voids in healthcare provision. It has been advocated by scientists, governments, and international institutions around the world. Research evidence indicates that social isolation has been critical in weakening the causal relationship between social agglomeration and contagion (e.g., Hale, Angrist, Kira, Petherick, Phillips, & Webster, 2020). Following the WHO’s declaration of a pandemic, social isolation has been viewed by the international and Brazilian medical authorities as an essential mechanism for containing the spread of COVID-19, in the belief that it would allow more time for the reorganization of supply chains and development of vaccines, and so reduce pressures on the health system (Noronha, Guedes, Turra, Andrade, Botega, Nogueira, & Ferreira, 2020).

Nevertheless, Brazil’s institutional handling of social isolation was fragmented and erratic, providing a breeding ground for other voids. The attitude of the executive branch toward the social isolation policy was hesitant and uncommitted, and it was also late in ordering vaccines (Da Fonseca, Shadlen, & Bastos, 2021). Analysis of President Bolsonaro’s formal speeches shows that his support of social isolation was qualified by a recognition of its likely market impact. He argued people could die of hunger if prevented from continuing their market activities. Following the onset of the disease, the central government tried to maintain formal and informal markets in opposition to social isolation.
For example, in one of his speeches, the president stated that ‘since the beginning of the pandemic, I have addressed all the ministers and talked about life and employment. Our population is like a patient who has two diseases. We cannot abandon one and exclusively treat another, because at the end of the line that patient can lose his life.’ In his discourses, the president frequently declared his opposition to closing shops and paralyzing production and commerce. He publicly showed his disapproval of the social isolation policy in personal gatherings with supporters by calling the pandemic a minor flu, not wearing a mask, and personally mixing with crowds.

Disagreements between the president, the health minister, and local and federal authorities and the absence of a role model to encourage behavioral conformity with social distancing, led the Supreme Court to transfer much of the responsibility for implementing a social isolation policy to Brazil’s states and municipalities. However, poor coordination between federal, state, and municipal authorities led to inconsistencies between narratives and practices at various levels of government and resulted in confusion (Da Fonseca, Nattrass, Arantes & Bastos, 2021). There was also unclear and weak leadership (Puppim de Oliveira & Berman, 2021), illustrated by the replacement of four ministers of health. Ambiguous leadership and the Supreme Court intervention cast doubt on the capacity of the executive branch to coordinate the implementation of a social isolation policy and act as a legitimate locus of control over the pandemic.

As research on policymaking has indicated many times, a division of authority between levels of government and fragmentation in the locus of governance commonly creates ambiguity in accountability and responsibility (Kobrin, 2009; Puppim De Oliveira & Berman, 2021). The misalignment in Brazil encouraged a further politicization of issues, such as on the pros and cons of medical treatments that should have been the responsibility of health professionals. The politicization of issues at different levels of government led to ambiguities and contradictions that undermined the achievement of coherent official policies with implications for their legitimacy and public adherence to them.

**Policies, Voids, and Negative Externalities**

The social isolation policy aimed to reduce unsustainable pressures arising from the pandemic on already-restricted medical resources including professionals trained in intensive care, ICU beds, ambulances, medicines, ventilators, and other equipment. However, a significant chronic institutional void in the Brazilian health sector – the long-term inadequate provision of advanced hospital services such as intensive care units [ICUs] and their limitation to large cities – stood out in the way.

Other chronic voids in society also constrained the universal implementation of the social isolation policy. As mentioned before, these voids include persistent institutional inefficiencies in delivering essential collective goods (Gollwitzer, Martel, Brady, Pärnamets, Freedman, Knowles, & Van Bavel, 2020). Chronic voids mainly affect lower socioeconomic groups who do not have access to resources (i.e., sanitary products) to control transmission, have limited access to public goods, such as urban transport, and frequently face long queues for hospital treatment.

As in many developing countries, most cities and their peripheries in Brazil have densely populated poor communities clustered around various economic activities and services, many of them informal. Examples of informal activities include domestic services, selling utensils on the street and at traffic lights, protecting and cleaning cars. Social isolation disrupted the transactional links necessary for these informal activities to take place. During the period of social isolation, the impact of income loss and fear of unemployment led consumers in Brazil to reduce their expenditure, including those on informal services (IBGE, 2020). It is estimated that 40% of the workforce depends on informal market exchanges (IBGE, 2020). Curtailing informal markets hampered the flow of goods to the base of the pyramid [BoP] and undermined economic involvement by the poor. Of the 40% of the workforce in Brazil’s informal market, around 23% lost their income completely and the other 17% reported a reduction. Despite the Brazilian government’s financial assistance to poorer people, social isolation had devastating consequences for their access to formal and informal markets as sources of food and employment (Perugini & Vladisavljevic, 2020). For example, the Oxford Group (Petherick, Goldszmidt, Kira, & Barberia, 2020: 32) found that in Brazil “reductions in income were far less common among formal workers (39%) than informal workers (67%), who had more difficulties in paying bills (45% in comparison with 23% of formal workers).”
So paradoxically, although the policy of social isolation was intended to be a rational response to the acute pressure on medical resources, it jeopardized the operation of the informal economy. While President Bolsonaro incurred enormous opprobrium because he played down the health effects of the virus, his opposition to social isolation on economic grounds recognized this point. In this Catch-22 situation, the experience of Brazil indicates that there is a potential role for corporations in mitigating the dilemma. They can alleviate voids in providing collective goods (healthcare and everyday essentials) and voids in informal markets by creating positive externalities such as engaging those at the BoP in formal markets and employment.

Chronic voids in the form of infrastructural deficiencies added to the disproportionate impact that the COVID-19 pandemic has had on poorer communities in Brazil. Urbanized and peri-urban populations have a higher risk of disease due to unplanned settlements, high population densities, and reliance on public transport systems (Manawadu, Gunathilaka, & Wijeratne, 2020). Basic sanitary services such as a clean water supply and sewage disposal are deficient or absent in such environments. Gandra (2020) estimated that 13.6 million Brazilians lived in shantytowns (favelas) in 2019. Usually, people who live in slums have to use urban buses as a means of commuting (Exame, 2020). This accounted for a disproportionate proportion of COVID-19 infections.

Research on the groups in Brazil affected by COVID-19 indicates that Black and mixed-race people have mortality rates respectively 81% and 45% higher than do Whites. Several socioeconomic indicators, such as, education, overcrowded dwellings, lower education and income are associated with high mortality rates (Ribeiro et al., 2021). Similarly, research on the social impacts of COVID-19 in Brazil shows that the distributional consequences (Perugini & Vladisavljevic, 2020) of the social isolation policy were highly negative for people at the BoP, who relied primarily on informal markets as the basis for their subsistence (Bapuji et al., 2020). A study conducted by the Federal University of São Paulo indicates that the ten districts with the highest death rates in Brazil were highly dependent on collective urban transport (Exame, 10/08/2020). This transport was usually overcrowded, controlled by private companies, and regulated by ineffective policies of enforcement that could comply companies to reduce the problem. The University of São Paulo research (Jornal da USP, 2020) concluded that the use of public transport increased by 80% in the peripheries of large cities during the pandemic. This same study reported that the correlation between the number of people using public transport and contamination by COVID-19 was 0.80, whereas it was only 0.39 for people using private vehicles.

Figure 1 summarizes the above analysis by depicting how inadequate public policy added acute voids to already-existing chronic ones. Although social isolation relieved the pressures on healthcare resources, by reducing the rate of infections, it created other sources of instability and disruption, due its detrimental effects to social groups in vulnerable situations, an issue not properly considered by policymakers. In attempting to adjust to a persistent resource deficiency in hospitals, the policy of social isolation (“stay at home”), by disrupting informal markets created negative externalities, which aggravated existing non-market failures, including food insecurity at the BoP. Our argument is that negative externalities – detrimental effects of social isolation on specific segments of the population – add acute voids to existing chronic ones. These open important opportunities for corporations to alleviate the side effects of social isolation at the BoP, by delivering social goods essential for survival. Corporations also alleviated the pressures on hospitals by providing specific collective goods, essential resources that could reduce an intensification of infection and collapse of services. Through their non-market strategies, corporations eased the effects of a rising demand for more hospital beds when it became increasingly evident that health institutions could not effectively cope on their own. We argue that corporations have played a critical role in helping to sustain the policy of social isolation, especially before the Brazilian government brought in financial support for the poor. The following section examines how corporations in Brazil responded by initiatives to alleviate the externalities that had been generated by the addition of acute pressures to already-existing chronic institutional deficiencies.

**CORPORATE RESPONSES TO NON-MARKET INSTITUTIONAL VOIDS**

As mentioned in the Methodology section, examination of available sources led us to identify six categories of corporate response to acute and chronic voids. These non-market responses
contrast with more traditional corporate strategies aimed to influence policies by lobbying national governments and forming political alliances. Instead, given the regulatory changes which transferred responsibility and accountability for dealing with COVID-19 from the federal government to state authorities in Brazil, both Brazilian and foreign companies primarily cooperated with local governments.

The response of firms in Brazil to the COVID-19 crisis was a significant development. Valor Econômico, a leading Brazilian national economic and business newspaper, commented that there had been a cultural change in the nature and extent of business contributions to social causes during the pandemic. Many corporations took initiatives that contrasted with their usual detachment from social issues. By August 2020, they accounted for 85% of the R$6.1 billion funding in Brazil directed to measures to prevent and alleviate problems related to the outbreak of COVID-19 (Valor Econômico, 28-08-2020). In some instances, this was accompanied by an increase in the personal engagement of CEOs in corporate donation programs in Brazil (Valor Econômico, 20-05-2020), a trend already noted a while ago in the USA (Fabrizi et al., 2014).

The ABCR data reveal that corporate responses differed both in kind and in the level of business engagement with relevant governmental and non-governmental institutions. The most common form of corporate support – making donations of cash or in kind – is in aggregate by far the largest one in financial value, but at the same time entails the least organizational engagement with public bodies or NGOs. The various forms of response by foreign and Brazilian multinationals are categorized in Table 2. As was explained in the Methodology section, Table 2 draws on the detailed data shown in Appendices A and B.

The most frequent form of corporate support to fill acute voids brought about by the virus and its effects has consisted of providing – i.e., distributing funds or basic goods such as food and hygienic items directly to individuals or the community. In this case, the donating firms did not adjust their regular normal activities or to the status of their relationship with external institutions. The firms responded to emergencies by directly providing goods or services to the social group in need. Providing has been by far the most common mode of corporate assistance in Brazil, accounting for one-third of the firms included in Table 2. In some cases, the value of goods and services donated has
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been substantial. Nestlé was one of the largest providers of aid during the pandemic, valued at over US$ 10 million, much of it in the form of food, beverages, and nutritional supplements for nursing homes, shelters, poor communities, and waste-pickers’ cooperatives. ArcelorMittal Brasil, BB Seguros, Eletrobras UBER, Marfrig, Marfrig, Usiminas, and Brasken donated food baskets. Other companies, such as Heineken, Nutriex Renova, and Gerdau donated hygiene and cleaning kits and masks directly to needy communities. In providing essential goods, some corporations collaborated with other companies, engaged with community leaders, or used the agency of their own foundations. Foreign firms usually channeled their initiatives through their own foundations, which had often already established trust-based relations with national NGOs.

A second relatively frequent corporate response to acute voids has involved a closer relationship with institutions. We define this category as supporting the work of institutions, as distinct from merely providing goods, services or funds. Supporting involves going further by mobilizing specialized corporate resources to alleviate deficiencies in the health sector, by donating personal protective equipment for medical professionals. This was often accomplished through collaborating with a group of firms, NGOs and agencies at various levels of government. Many companies joined local governments and even international organizations in improving hospitals’ stocks, by donating ambulances and hygiene supplies.

Adapting was a third category of corporate response to acute voids. Adapting typically involves some exploitation of the firm’s existing knowledge to meet new social requirements especially at the base of the pyramid. In this case, these firms temporarily adjusted their product lines and processes to deliver needed products. For instance, Natura, Ambev, and Nivea added alcohol gel to their portfolio of products to distribute to communities in need. Embraer and Mercedes Benz each changed their regular activities by developing ventilators using aeronautical and automotive components, while Google adapted its news verification projects to combat the spread of false information about COVID-19 in Brazil.

Corporate responses that eased longer-term chronic voids were less frequent. One category involved innovating strategies – developing new products and processes which potentially extended their business and markets while also addressing social needs. For example, Accenture developed a platform for the government of São Paulo that digitally screens infected patients. Ambev, the Brazilian food and beverage corporation, in partnership with one of Brazil’s largest hospitals, used its stock of 3D printers to develop a laryngoscope that assists the treatment of COVID-19 and which was not previously produced in Brazil. Companies such as Natura and Nike innovated by altering their existing platforms to extend their market outreach. Natura, for example, has used its network of consultants and representatives to spread awareness about hygiene protocols and social distancing and help identify and combat the rise of domestic violence associated with social isolation. Also noteworthy is the initiative of Heineken Group in Brazil and Unilever, which worked together to create a special product for cleaning and disinfecting all types of surfaces, and tested the product in Brazilian favelas.

Firms also contributed to hospitals, research institutes, and groups working on contamination, prevention, and treatment of COVID-19 by addressing enduring institutional weaknesses and enhancing their capabilities. Enhancement was often achieved by a significant upgrading of institutional infrastructures through donation of durable equipment, such as complex intensive-care beds having multi-parameter monitors, oxygen cylinders, and mechanical ventilators. Although Alcoa has not contributed as much in value as some other firms in our sample, it helped to modernize the whole electric infrastructure of a small municipality in the interior of Brazil, thus extending its assistance to COVID-19 patients in the region. Some companies worked on upgrading schemes in collaboration with hospitals and research institutes.

Other firms participated with local institutions in initiatives aimed at promoting social inclusion during and after the pandemic. They helped to train local communities and social groups to acquire new skills, so providing a basis for unemployed people to re-enter informal and potentially formal markets. Accenture applied its platforms and systems that link micro-entrepreneurs and small firms in the informal market to national support organizations. However, while fostering local human capital and entrepreneurship is an important way to keep the informal market alive, we found only a few examples of firms creating opportunities for market inclusion through fostering local entrepreneurship. One significant example is the formation of the “Movimento Nós” [We Movement] by a group of
food and beverage companies comprising Ambev, Aurora Alimentos, BRF, CocaCola Brasil, Heineken, Mondelez International, Nestlé, and PepsiCo to support small retailers to restart their businesses as soon the situation permitted. Together, the companies intended to assist more than 300,000 small businesses throughout Brazil, including bars, cafeterias, bakeries, restaurants, and grocery stores, employing around 1 million people.

This deeper level of corporate involvement in the institutional system extends beyond collaboration in distributing funds and other resources to embrace joint policy and decision-making between firms, public agencies, and NGOs. Some companies have formed deep and continuing partnerships with NGOs. Amazon, for example, worked with two institutions: Comunitas, a social organization specializing in public–private partnerships and collaborating with state and municipal governments; and the Alice Figueira Foundation a philanthropic entity teaching, researching, and providing medical and social assistance in Pernambuco state. Foreign multinationals were likely to already have formed such long-term partnerships which appeared to encourage some global standardization of their modes of assistance. The work of business-funded foundations has also provided an indirect means for corporations to partner with institutions in measures to combat the pandemic’s consequences.

A prominent example is the Lemann Foundation, established by a self-made Brazilian entrepreneur, which has, among other initiatives, collaborated with national and foreign universities to promote vaccine trials in Brazil and has led an initiative to invest in producing the active pharmaceutical ingredient of the vaccine. 4

MNEs in Brazil have thus helped in several ways to reduce or compensate for institutional voids that were impairing the battle against the COVID-19 virus. Failures in informal markets, provision for personal livelihoods, and supply chains all offered opportunities for corporations to mitigate voids and, in some instances, to diversify into potentially profitable new activities. In addition to helping fill acute voids by financing or providing medical items and foods in short supply, some companies have also addressed chronic non-market voids through technological or social innovations, often in collaboration with public agencies and NGOs. Both types of intervention aimed to compensate for the breakdown in the informal economy that led to hunger and unemployment among poor communities. In responding to the COVID-19 pandemic, companies in Brazil varied in the extent to which they stepped outside their conventional business role to assist and/or work with institutions.

Our analysis suggests an unprecedented response by multinationals in Brazil to the COVID-19 crisis. Marcia Woods, the CEO of ABCR, remarked that one of the primary outcomes of joint work between NGOs and state authorities has been the creation of an ethic encouraging support from firms: “Helping the health sector is not exactly within the competence of firms, but the experience of collaboration between firms, NGOs, firms and local authorities led to the development of trust relations between these actors in the delivery of collective goods, an important outcome to the development of more enduring relationships between these actors.” However, Ms. Woods also reported to us that the total donations by firms in 2021 were lower compared to 2020.

An indicative example comes from the experience of Gerando Falcões. This NGO formed a committee in which companies and health authorities developed a professional strategy for attracting funds and creating the competences to apply them. Statements by those who work directly in fundraising, as the director of Gerando Falcões and the CEO of ABCR, suggest that while there are signs that a culture of giving by firms is still developing in Brazil, it is not oriented to short-term issues. Rather, the business sector seems to place greater emphasis on corporate involvement that addresses long-term social problems instead of playing a firefighting role. Nevertheless, both Edu Lyra and Marcia Woods believe that future corporate engagement in social causes will depend on incentives from the government, and both the ABCR and Gerando Falcões have expressed uncertainty over the continuity of such engagement.

Table 3 indicates that most of the responses by both Brazilian and foreign firms addressed acute institutional voids, primarily through providing and supporting modes. However, Appendices A & B indicate that Brazilian firms generally undertook initiatives aimed at mitigating the effects of the pandemic that were of greater financial value than those of foreign firms. The two groups of firms also seem to display a somewhat different pattern among responses addressing chronic voids. Considering the higher number of Brazilian firms in the sample, proportionately foreign firms are somewhat more likely to provide assistance falling into the innovating and promoting social inclusion categories than were Brazilian firms. These latter
forms of assistance generally involve closer collaboration with Brazilian institutions (such as hospitals) and NGOs through non-market modes, they also provide longer-term solutions which can reduce chronic voids as well.

DISCUSSION

We began with the question whether firms’ responses non-market voids are comparable to those driven by the market imperative and in so doing they may internalize, complement, or substitute for the role of public institutions. Our study suggests that corporations can do so primarily when institutions are fragile, are unable to cope, or do not have the legitimacy to guide society through a crisis. However, the institutional pressures from COVID-19 on firms differ in nature from market pressures, leading corporations to step outside their conventional role, and in line with growing expectations on the part of many stakeholders and some business leaders (Agudelo et al., 2019).

While mainstream research has focused on how firms use CSR to offset liabilities of origin or to divert attention away from misdemeanors (Marano et al., 2017), events in Brazil suggest that corporations are capable of rising above self-interest to genuinely help in conditions of crises. In contrast to earlier work on market failures, which emphasized supply-chain challenges and firms’ internal adaptations (e.g., Doh et al., 2017), we draw attention to the intention and capacity of firms to deliver external collective goods (Boddewyn & Doh, 2011; Garrone, Piscitello, & D’Amelio, 2019).

The experience of Brazil indicates that due to their internal advantages, multinationals can speedily generate positive externalities when institutional voids inhibit the provision of collective goods. While this is consistent with some previous analyses (e.g., Boddewyn & Doh, 2011), we offer the additional contribution of proposing a typology of multinational interventions in conditions of chronic and acute voids. Corporations can intervene in different ways that entail contrasting levels of involvement with institutions as well as varying levels of adjustment to their previously normal activities. In Brazil, they have most often intervened in just one mode – that of offering funds or products on an arms-length basis. However, we noted that some corporations contributed with more sustainable forms of assistance that go beyond addressing acute voids. These include initiatives that help to repair chronic voids, such as creating market spillovers through building opportunities for employment among individuals and groups previously excluded from formal labor markets, as well as by enhancing the human and system capabilities of public institutions such as hospitals. Corporations in Brazil have extended sectoral capacities, such as funding an increase in hospital bed capacities and equipment, improving the capabilities of research institutions, and fostering the development of new treatments and prevention strategies.

Our analysis of corporate responses suggests that when governments fail to control crises, multinationals can intervene surgically and incisively by addressing negative externalities that affect individuals and families. It also suggests that corporations can simultaneously intervene on several fronts including disease prevention by working more directly with those affected – community leaders, social movements, and NGOs; improvising or rebuilding supply chains; and re-creating informal and formal markets. The experience of Brazil illustrates the positive social contribution that corporations can offer as part of their non-market strategies, and it speaks for a broad interpretation of the scope of such strategies (Mellahi et al., 2016; Sun, Doh, Rajwani, & Siegel, 2021).

We also identified a difference between the responses of local and foreign multinationals to non-market voids. Two factors may help to account for this differentiation. The first is that foreign multinationals generally have a longer and more
diversified international experience. Their already-constituted non-market channels enable them to offer similar forms of assistance in different countries. Foreign multinationals already have an established mode of governing social assistance through high-trust partnerships that link their agents (such as CSR foundations) with foundations located in the host country. Some of these foundations, such as OXFAM, are themselves multinational. The second is the technical competence that foreign multinationals can deploy to support innovation aimed at confronting the pandemic. The requirements for such innovation are articulated most naturally by local institutions and NGOs in the front line of combatting the pandemic and its effects, which speaks for collaboration between multinationals and local organizations. This provides the rationale for partnership between international corporations and local agencies in an international ecosystem that directs business resources toward social ends.

Overall, it appears that foreign multinationals – through their global operations – have developed a capacity to deliver non-market goods and services in situations where institutions are unable to cope concurrently with acute and chronic voids. This conclusion is consistent with the following observations made by Marcia Woods, CEO of ABCR, as well as with that of previous research on multinationals’ responses to market voids (Doh et al., 2017; Khanna & Palepu, 2010):

“I often saw multinationals entering Brazil replicating the models they had internationally. So, if they supported saving the children out there, they would also do so [here]...donations, corporate social responsibility, and social investment follow international guidelines which usually serve for the whole world. And then they end up having partnerships even with organizations, institutions that have global operations.”

To summarize, our analysis extends current knowledge in two ways. The first comes from our distinction between chronic and acute non-market institutional voids. The acute nature of the voids that emerged during the COVID-19 pandemic created a non-market opportunity for firms to go beyond their conventional responses to chronic voids. Secondly, we extend existing knowledge by identifying different modes of corporate response. While firms often demonstrated their ability to act autonomously when addressing acute pressures, some collaborated with non-market social actors to establish partnerships or create foundations that provide a platform from which longer-term chronic voids could also be addressed. The factors that influence these variations in modes of corporate response deserve further research. For instance, do firm characteristics such as their ownership, industry, and size affect the extent to which they adopt a social purpose, the form their social contributions take, and the collaborations with institutions in which they may engage when delivering these contributions? Our analysis suggests for example that financial firms have been particularly active in several types of initiatives to fight externalities created by chronic and acute voids, a conclusion that deserves further investigation.

The present study adds to previous contributions to the Journal of International Business Policy which have mainly focused on understanding how the COVID-19 pandemic affects the global environment, and how it might reshape global supply chains and redefine the norms of competition (Lundan & Van Assche, 2021) and inclusion (Narula, 2020). Our approach has been phenomenon-based. We examined both Brazilian government choices and MNEs responses in the context of social isolation as an internationally recommended policy for tackling the COVID-19 pandemic. As such, the present study fits the goals of the JIBP in encouraging theoretical insights and practical contributions to multinational corporations and policymakers.

CONCLUSION

There are several theoretical implications of our analysis and its extension of current knowledge. One is that the concept of institutional voids needs to be refined to take account of the degree of their embeddedness and duration – i.e., the distinction between chronic and acute voids. Whereas chronic voids may come to be accepted as a normal characteristic of many developing countries, acute voids arise due to emergencies. They exacerbate the deficiencies of chronic voids (e.g., queues for elective surgeries) which call for extra-ordinary responses to which corporations can make, and in many instances are making, a major contribution in alleviating normal pressures (e.g., by donating ICU beds, corporations helped to maintain the infrastructure already allocated to serve elective surgeries).

Another implication for theory development stems from our identification of different modes
of corporate response and the fact that foreign multinationals appear to have been better equipped by dint of their international experience than local ones to pursue non-market responses involving collaborations with local institutions and NGOs. In this respect, some foreign multinationals may have already formed international ecosystems that serve as vehicles for the delivery of their social contributions founded on superior organizational and technological competencies. Developments such as these in corporate relationships with public organizations in the battle to combat major (even existential) threats – not only pandemics but also climate change, environmental degradation, mass migration, and social inequality and poverty – require a major theoretical reorientation away from the heavy (even exclusive) reliance of international business scholarship on economic theories. For we are here talking about a potential change in the fundamental role of corporations in society, as expressed in their corporate purpose and in the organizational modes of their integration into society. This change adds a wider social purpose to the purely economic objectives of the “neoliberal corporation” (Ciepley, 2019).

We suggest that the analytical framework we have developed to understand events in Brazil during the COVID-19 pandemic can be applied to many other emerging countries, and hence could be useful to policymakers, businesses, and other types of organizations in confronting acute crises in such contexts. Future research could also adapt our framework to understand crises of a different nature such as those resulting from extreme weather events and pollution. Overall, our study shows that crises may endure and pervasively affect society more than they ought to because of institutional failure. This failure is manifest at two levels, which signify chronic and acute voids, respectively. Chronic voids arise due to the inability of institutions to meet long-term public requirements, due partly to inadequate investment and partly to deficiencies in implementation and enforcement. Institutional voids become acute under the strain imposed by unpredictable crises, and they are exacerbated by an institutional failure to agree on public policy responses and to engage key social actors in a concerted reaction. Moreover, market failures can arise as unanticipated consequences of policy responses such as social isolation. The resources and expertise that corporations are able to mobilize can play an important role in resolving this conundrum. However, this analysis should be seen as provisional because it deals with a phenomenon that has not yet reached its full course. As Buckley et al. (2017) state, scholars face risks in trying to unravel “grand challenges”, which not only involve complex inter-relations between business, politics, and economics but are also driven by events.

**POLICY IMPLICATIONS**

We have identified the inadequacies of a government in providing collective goods during a crisis. Brazilian policymakers have traditionally focused on political considerations, rather than on problem solutions. Accountability, responsibility for implementation, and enforcement were only rarely a priority. So, while the COVID-19 pandemic followed its course, politicians were enmeshed in endless and unproductive political debates. These created an opportunity, indeed the necessity, for businesses to intervene. Corporations could address acute policy, market, and resource failures, even remediing some pervasive chronic voids. In so doing, some of them created opportunities for people to reintegrate into formal and informal markets and in these ways reduce social disruption. Some pundits in Brazil have seen corporate behavior during the pandemic as the beginning of a social movement based on a change in corporate culture (e.g., Veja, 2021).

The problem of policy failure provides a context for the ongoing debate about the future role of the corporation and its place in society (Fligstein & Vogel, 2020; Giuliani, 2020). Some prominent CEOs and business academics have recently called for a redefinition of corporate functions and purposes to embrace a wider commitment to all stakeholders (e.g., British Academy, 2021; Henderson & Temple-West, 2019) and to address a chronic void in the institution of corporate governance. The COVID-19 crisis in Brazil and elsewhere has encouraged several prominent companies to espouse a stakeholder view of corporate functions. This has been in response to acute institutional voids, and it remains to be seen whether the shift in corporate orientation and behavior is permanent when conditions return to “normal”.

The successful collaboration of corporations with community stakeholders in meeting a national emergency is corporate social responsibility in action that goes beyond the merely symbolic and ceremonial (Crane & Matten, 2021). It has led to socially valuable contributions that add real
substance to professions of a broader stakeholder-oriented purpose for business. It does, however, raise the question of whether and for how long corporations will be willing or able to maintain that social role. In contrast to the USA, in Brazil there are no clear incentives for rules, norms, and regulations that encourage the practice of CSR or changes in management practice and governance that underwrite corporate dedication to social causes.

Therefore, the jury is still out on whether corporations will continue to perform a more extensive social role in compensating for institutional voids and weaknesses. Despite misgivings about, for example, greenwashing strategies (Tashman et al., 2019; Lashitew, 2021) designed to cover up the liability of origin (El Ghoul et al., 2017), political pressure for multinationals to engage in sustainable practices is growing across the world (Van Tulder et al., 2021). Sachs and Sachs (2021) suggest that mega global pressures of an environmental and biological nature, together with deep and pervasive social problems and institutional voids, such as discrimination and inequality, leave corporations with little choice but to step in. An important example is the initiative of financial institutions constructing a platform to monitor corporate misbehavior. The influential Responsible Investor platform urges investors to refuse to support firms that do not comply with sustainable development. Bodies such as the United Nations also expect corporations to do more to fulfill sustainable development goals.

Evaluations of how sustainability and other social goals are addressed suggest that on the institutional side, claims are too general and not clearly linked to practice (Van Zanten & Van Tulder, 2018), whereas on the corporate side, CSR is still just a “ticket to play” (Srinivasan & Eden, 2021: 236). The COVID-19 pandemic has created a stress test for corporate social responsibility. This paper has identified how corporations responded to the institutional voids highlighted by the pandemic and has contributed by clarifying various action possibilities available to corporations that seek to support sustainability and other social goals.

**NOTES**

1 Brazilian Association of Fundraisers (Associação Brasileira de Captadores de Recursos). Created in 1999, this association aims to promote, develop, and qualify fundraising activity. Currently, the association includes more than 400 members, individual and supporting partners (civil society organizations or companies), spread across the country. One of its main activities is the monitoring of donations to remedying the impacts of COVID-19 in society. https://www.monitordasdoacoes.org.br/pt.

2 President Jair Bolsonaro speech of April 16, 2020. https://www.gov.br/planalto/pt-br/acompanhe-o-planalto/discursos/2020/disco urso-do-presidente-da-republica-jair-bolsonaro-durante-solenidade-de-passagem-da-operacao-acolhida-palacio-do-planalto.

3 http://www.grupos-mais-vulneraveis-a-covid-19/.

4 Foundation 2020 Annual Report https://fundacaolemann.org.br/storage/materials/g9J9wYd7ZvUamMPxZswAa0JcFa3l0dWr18nVeSU.pdf

5 https://www.responsible-investor.com/.

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