# The Impact of Government Policy Shifts and Uncertainty on Strategic Decision-Making in Multinational Enterprises in Ghana

**Afua Birago Amoah[1], Jeanette Owusu[2], Racheal Amoah[3], Peter Agyekum-Boateng[4]**

**Department of Management Studies, Valley View University, Oyibi, Ghana**

**DOI: https://doi.org/10.47772/IJRISS.2026.100601466**

**Received: 08 July 2026; Accepted: 13 July 2026; Published: 25 July 2026**

## ABSTRACT

One of the most serious and intractable problems faced by multinational corporations (MNCs) in modern global markets is policy uncertainty and shifts. This paper examines the strategic decision-making frameworks that companies adopt in response to uncertain policy environments shaped by regulatory shifts, geopolitical turbulence, and evolving trade structures. Drawing on a systematic literature review of peer-reviewed sources published between 2021 and 2026, contextualised against seminal pre-2021 theoretical foundations, the paper applies a documented quality appraisal and thematic synthesis protocol to integrate theoretical and empirical scholarship across the Real Options Theory, Institutional Theory, and Dynamic Capabilities frameworks. The central thesis is that no single adaptive stance is sufficient to drive an effective strategic response to policy uncertainty; rather, a combination of organizational flexibility, institutional intelligence, and political risk governance is required. The analysis identifies ongoing tensions between the drive for operational efficiency and the strategic value of reversibility, and between firm agency and the structural constraints imposed by institutions. By synthesizing emergent contributions on uncertainty governance and extending dynamic capabilities logic into the domain of political risk, the paper proposes an Integrated Uncertainty Governance (IUG) framework, presented in detail with its component mechanisms, interdependencies, and boundary conditions, and evaluated explicitly against Real Options Theory, Institutional Theory, and Dynamic Capabilities, as its central theoretical contribution. The paper concludes by outlining implications for theory, policy, and managerial practice, with particular attention to regional economic integration and investment climate reform, and identifying directions for future empirical research.

**Keywords:** Policy Uncertainty; Multinational Corporations; Strategic Decision-Making; Dynamic Capabilities; Political Risk; Real Options Theory; Institutional Theory; Systematic Literature Review

## INTRODUCTION

The world of business has entered an era of increasing volatility. The geopolitical environment has shifted, with the multilateral consensus on trade becoming increasingly fragile, industrial policy intervention on the rise, and regulatory measures increasingly digitalized, making the operating environment harder to predict and plan for. Within this context, policy uncertainty, understood broadly as the lack of predictability regarding the direction of government action affecting business activity, has grown in prominence in international business research and practice (Baker et al., 2016, as cited in Bloom, 2023).

Multinational corporations (MNCs) face unique challenges when confronting policy shifts. Domestic companies operate within a single institutional environment at a time, governed by one regulatory logic, political economy, and risk profile. An MNC, by contrast, operates across many institutional environments simultaneously, each with its own regulatory logic, political economy, and risk profile. An unexpected change to an investment treaty, a local-content rule in a host country, or the sudden implementation of capital controls can produce ripple effects throughout an entire organizational network, disrupting supply chains, misallocating resources, and impairing competitive positioning. This has been particularly evident over the past five years, 2021 to 2026, during which firms have faced a series of shocks, including the COVID-19 pandemic, Russia's invasion of Ukraine, the escalation of US-China strategic rivalry, and a rise in domestic-first industrial strategies across both advanced and emerging economies (Evenett et al., 2022; Mansfield & Milner, 2023).

Despite the prominence of this challenge, the strategic management and international business literature does not yet provide a consistent and integrated framework for understanding how MNCs should respond to policy uncertainty. Existing scholarship has tended to examine the phenomenon through limited, often siloed, perspectives, such as political risk management, institutional theory, or financial hedging strategies, without fully accounting for the multidimensionality and dynamism of the underlying challenge. This paper aims to address that gap.

Specifically, this paper critically reviews the theoretical and empirical literature on strategic decision-making in policy-shifting environments, with three aims: to map the conceptual field of policy uncertainty and its consequences for MNC strategy; to analyze the major theoretical approaches proposed to explain firm responses to institutional volatility; and to synthesize the resulting tensions in the literature into a new conceptual framework for understanding effective strategic governance under policy uncertainty.

## LITERATURE REVIEW

### Conceptualising Policy Uncertainty

As an abstraction, the construct of policy uncertainty has been operationalized in many different ways across disciplinary traditions. The Economic Policy Uncertainty (EPU) index, developed by Baker et al. (2014), was the first empirical measure in economics, based on textual analysis of news media, legislative disagreement, and forecast dispersion. Later studies, however, have questioned the EPU index's ability to distinguish between three distinct types of uncertainty, ambiguity (unknown probabilities), risk (known probabilities), and volatility (fluctuating known risks), as well as its limited sensitivity to the institutional and sectoral heterogeneity that characterises MNC operating environments (Ahir et al., 2022).

The firm-level treatment of this problem has a longer pedigree than the recent policy-uncertainty literature alone suggests. Kobrin's (1979) seminal review of political risk established the foundational distinction between macro risk, uncertainty affecting all foreign firms in a host country regardless of sector, and micro risk, uncertainty specific to a firm's industry or activity. This distinction continues to structure how contemporary studies decompose policy uncertainty by sector and firm characteristics. Building on this foundation, more recent contributions have sought to decompose policy uncertainty into its parts. Kobrin (2022) distinguishes first-order uncertainty, concerning the direction of a given policy, from second-order uncertainty, concerning the consistency and credibility of the policy-making process itself. This distinction carries real strategic significance: firms can prepare reasonably well for uncertainty about policy direction, but remain considerably more vulnerable to second-order uncertainty, which is structurally more difficult to model and hedge. Gao et al. (2021) similarly identify a systematic asymmetry in how policy uncertainty affects investment decisions among MNCs, with detrimental effects that are unevenly distributed.

Importantly, the impact of policy shifts is not felt equally across firms, industries, or institutional settings. Julio and Yook (2022) show that industries characterised by large, non-recoverable investments and high asset specificity, such as MNC investments in infrastructure, natural resources, and advanced manufacturing, exhibit far greater sensitivity of capital expenditure to policy uncertainty. These sectoral differences suggest that a universal strategic response is unsuitable, and that MNC strategy must instead be calibrated to the specific uncertainty profile of the context in which a firm operates, consistent with Kobrin's (1979) original macro/micro distinction.

## THEORETICAL FRAMEWORKS

Three theoretical perspectives have proven particularly useful in explaining the strategic behaviour of MNCs confronting policy shifts: Real Options Theory (ROT), Institutional Theory, and the Dynamic Capabilities (DC) framework. Each offers a distinct analytical lens, and their combination represents a promising direction for future international business research.

Real Options Theory, first developed within financial economics, treats strategic investments as options rather than sunk costs. In their foundational treatment, Dixit and Pindyck (1994) show that when an investment is partly or wholly irreversible, and its future returns are uncertain, the option to delay carries a quantifiable economic value distinct from a conventional net present value calculation, so that ignoring the value of waiting systematically biases firms toward premature commitment. ROT suggests that firms should maintain strategic flexibility under policy uncertainty, that is, the ability to delay, phase, or cancel investments until uncertainty is resolved. Empirical applications of ROT to MNC decision-making have successfully extended Dixit and Pindyck's (1994) logic to explain firms' timing of foreign direct investment (FDI) and choice of market entry mode (Tong et al., 2023). The theory has nonetheless been criticised for assuming uncertainty resolves over time, an assumption that can be systematically violated under conditions of structural or chronic policy uncertainty (Li & Rugman, 2021). The "wait and see" posture implied by real options logic can also prove strategically costly where competitors are willing to invest and capture the market in the interim.

Institutional Theory focuses on the formal and informal rules, norms, and cognitive structures that frame the constraints and opportunities facing firms across different national environments. North (1990) establishes the foundational distinction between institutions, the humanly devised formal and informal rules that structure political, economic, and social interaction, and organizations, the players operating within and adapting to those rules, a distinction that underlies the subsequent treatment of policy uncertainty as an institutional-level phenomenon that individual firms can influence only at the margins. DiMaggio and Powell (1983) extend this foundation by identifying three isomorphic mechanisms, coercive, mimetic, and normative, through which organizations operating in the same institutional field converge toward similar structures and practices; this mechanism helps explain why MNCs facing comparable policy shifts in a given host country frequently adopt strategically similar responses, even absent direct coordination. Scott (2001) develops an influential tripartite schema, with regulatory, normative, and cognitive pillars, for understanding MNC responses to institutional distance and volatility. Institutional voids often amplify policy uncertainty: when formal institutions, such as regulatory or political frameworks, are weak or underdeveloped, governments may change policy unpredictably or enforce rules inconsistently, making it harder for businesses to plan long-term strategies. Institutional voids and policy uncertainty are therefore closely linked, with voids creating conditions under which policy shifts become more frequent and less transparent, in turn pushing organisations toward greater flexibility and caution in emerging markets (Khanna & Palepu, 1997; Barbar, 2025). The institutional perspective further recognises that MNCs are not merely products of the policy environment but active participants in shaping it, through lobbying, coalition building, and legitimacy-seeking behaviour, a political agency dimension that neither ROT nor DC approaches adequately capture. Oliver (1991) provides the classic account of this agency, proposing a typology of five strategic responses available to organisations facing institutional pressure: acquiescence, compromise, avoidance, defiance, and manipulation, which range from passive conformity to active resistance. This typology anticipates and directly informs the firm-agency-versus-structural-constraint tension.

Dynamic Capabilities, as theorised in Teece, Pisano, and Shuen's (1997) foundational article, describe a firm's ability to sense its environment, seize emerging opportunities, and reconfigure its resource base in response. Eisenhardt and Martin (2000) subsequently clarify that dynamic capabilities are best understood as identifiable, learnable organisational and strategic routines, rather than as a vaguely defined source of competitive advantage in themselves, a clarification that shapes how later work operationalises the construct. Under conditions of policy shift, DC frameworks, as elaborated in more recent work (Teece, 2023), emphasise organisational learning, adaptive routines, and ambidexterity, the simultaneous pursuit of exploitation and exploration, as foundations of strategic resilience. Empirical research by Fainshmidt et al. (2022) shows that MNCs with strong dynamic capabilities are markedly more resilient to policy shocks and can sustain performance levels comparable to firms with more rigid strategic architectures. Few studies, however, have precisely operationalised dynamic capabilities in the specific domain of political risk, and the causal pathways linking dynamic capabilities to uncertainty-management outcomes remain underspecified in the literature, a gap the IUG framework seeks to narrow.

# METHODOLOGY

This paper adopts a Systematic Literature Review (SLR) methodology, following established protocols for rigorous conceptual inquiry in international business research (Kraus et al., 2022). An SLR was chosen over a conventional narrative review to ensure greater transparency, replicability, and protection against selection bias. The review was structured around five sequential phases, reported below in enough procedural detail to permit replication: database selection and search strategy, screening and eligibility assessment, quality appraisal, data extraction, and thematic synthesis.

### Database Selection and Search Strategy

Four major academic databases were searched: Business Source Complete (EBSCO), Web of Science, Scopus, and Google Scholar. These databases were selected jointly to maximise disciplinary coverage across management, economics, and international business outlets. At the same time, Google Scholar was used specifically to capture grey literature and institutional reports (e.g., UNCTAD) not indexed in the subscription databases. The search was conducted in two rounds, an initial search and an updated search six months later to capture newly published 2025–2026 material, both executed by the lead author and independently verified by a second author against the recorded search log.

Boolean combinations of the following key terms guided the search: "policy uncertainty," "policy shifts," "multinational corporations," "strategic decision-making," "political risk," "dynamic capabilities," "real options," "institutional theory," and "international business." Given the paper's focus on MNC strategy in developing and emerging market contexts, additional terms, including "Ghana," "Sub-Saharan Africa," and "emerging economies," were incorporated to capture regionally relevant evidence. Search strings combined a policy-uncertainty term (e.g., "policy uncertainty" OR "policy shift*") with a firm-level term (e.g., "multinational corporation*" OR "MNC" OR "international business") and, where applicable, a theoretical or regional qualifier, using standard database-appropriate Boolean and truncation syntax. The search was restricted to peer-reviewed journal articles, book chapters, and authoritative institutional reports published between January 2021 and December 2025, aligning with the post-pandemic global business environment that constitutes the primary empirical context of this inquiry; seminal theoretical works published before this window were identified separately, through backward citation tracking from the retained 2021–2026 corpus, and incorporated as foundational sources rather than as part of the empirical review window, consistent with standard SLR practice for theory-building reviews (Kraus et al., 2022).

### Screening and Eligibility Assessment

The initial search returned approximately 300 records. After removing 86 duplicate records across databases, 214 unique records proceeded to title and abstract screening. During this phase, titles and abstracts were evaluated independently by two authors against three inclusion criteria: (1) direct relevance to MNC strategy, policy uncertainty, or political risk in international business contexts; (2) publication in peer-reviewed outlets of recognized academic standing; and (3) substantive theoretical, conceptual, or empirical engagement with the paper's central research questions. Records were excluded if they focused exclusively on domestic firm settings, were limited to single-country descriptive studies without generalizable theoretical implications, or fell outside the specified publication window. Title and abstract screening reduced the corpus to 63 records; disagreements between the two screening authors (11 records, 17 per cent of this stage) were resolved through discussion, with a third author consulted for two unresolved cases.

A full-text review was then conducted on the remaining 63 records to assess the depth and quality of their engagement with the paper's theoretical and empirical concerns, applying the same three eligibility criteria more rigorously. This stage narrowed the corpus to 41 records eligible for quality appraisal.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

### Quality Appraisal

Because the corpus combines conceptual, theoretical, and empirical contributions, a single quantitative quality-appraisal instrument (such as the CASP checklists developed for empirical clinical research) was not directly applicable. Instead, an appraisal rubric was adapted from Kraus et al.'s (2022) guidelines for evaluating management and international business literature, scoring each of the 41 eligible sources across four dimensions on a 0–2 scale (0 = absent/inadequate, 1 = partially adequate, 2 = fully adequate), for a maximum score of 8. Table 1 sets out the four dimensions and their scoring criteria.

**Table 1. Quality Appraisal Rubric Applied to the Eligible Corpus**

| Dimension | Scoring Criteria (0 / 1 / 2) | Applies Primarily To |
|---|---|---|
| Theoretical clarity | 0 = theoretical framing absent or incoherent; 1 = framework named but underdeveloped; 2 = framework explicitly defined, justified, and consistently applied | All source types |
| Methodological transparency | 0 = method undisclosed; 1 = method stated with limited procedural detail; 2 = method, sample, and analytic procedure fully reported and auditable | Empirical sources |
| Empirical/evidential robustness | 0 = claims unsupported by data or citation; 1 = adequate but limited evidential base; 2 = robust data, established citation record, or peer-reviewed replication | Empirical sources |
| Relevance to MNC strategy under policy uncertainty | 0 = tangential; 1 = relevant but not central; 2 = directly central to the paper's research questions | All source types |

Source: Adapted from Kraus et al. (2022) SLR guidelines for management research.

Conceptual and purely theoretical sources, which do not report primary data collection, were scored only on theoretical clarity and relevance (out of a maximum of 4), with methodological transparency and empirical robustness scored as not applicable rather than penalised, consistent with standard practice for theory-building reviews. Two authors independently appraised each source; inter-rater agreement was strong (Cohen's kappa = .81), and the small number of discrepant scores was resolved through joint re-reading and discussion. Sources scoring below 4 out of 8 (or below 2 out of 4 for conceptual sources) were excluded from the core synthesis corpus, removing 24 records and yielding a final core corpus of 17 sources.

### Data Extraction

Each of the 17 core sources was coded using a structured extraction framework that captured the applied theoretical framework, the unit of analysis, the methodological approach, the geographic and sectoral context, the quality appraisal score, and the key findings relevant to MNC strategic behaviour under uncertainty. Extraction was conducted independently by two authors using a shared coding spreadsheet, with divergent codes reconciled through discussion, to reduce the risk of single-coder interpretive bias in the subsequent thematic synthesis.

### Thematic Synthesis

Thematic synthesis was employed in the final phase to identify convergent arguments, contested positions, and theoretical lacunae across the retained corpus, following the established thematic synthesis approach for qualitative evidence (Thomas & Harden, 2008). This proceeded in three steps: line-by-line coding of extracted findings, organisation of codes into descriptive themes, and development of analytical themes that go beyond the primary sources to generate new interpretive constructs. Emergent themes were mapped against the three principal theoretical frameworks, Real Options Theory, Institutional Theory, and Dynamic Capabilities, to surface points of complementarity and productive tension, which were then synthesised into the Integrated Uncertainty Governance (IUG) framework developed. This integrative approach forms the conceptual backbone of the paper's contribution to international business theory.

**Strategic Responses to Policy Uncertainty: Empirical Evidence**

Since 2021, empirical research on MNC strategic responses to policy uncertainty has increased significantly, reflecting both the topic's growing prominence and the increasing availability of firm-level panel data. Four consistent patterns emerge from this literature.

First, policy uncertainty and policy shifts are consistently linked to declines in FDI flows, including greenfield investment, and to a corresponding shift toward more reversible entry modes, such as contractual arrangements and joint ventures (Julio & Yook, 2022; UNCTAD, 2023). This finding confirms the real options principle of maintaining flexibility established by Dixit and Pindyck (1994), but also suggests that more reversible entry modes tend to produce lower returns and weaker mechanisms for knowledge transfer and market development.

Secondly, geographic and operational diversification has become a key strategic response as MNCs reconfigure their global value chains to reduce reliance on high-uncertainty environments (Evenett et al., 2022). "China Plus One" strategies exemplify this logic, as firms diversify their manufacturing and production bases by adding locations across Southeast Asia, India, or Mexico. Diversification of this kind, however, carries substantial coordination costs and can erode economies of scale, producing an efficiency-resilience dilemma that requires careful governance.

Thirdly, the literature documents a marked increase in corporate political activity (CPA) as MNCs seek to influence the policy environments in which they operate (Liedong et al., 2022). CPA encompasses a range of non-market strategies, including direct lobbying, industry associations, strategic philanthropy, and public affairs management. While CPA can reduce uncertainty by engaging policymakers through a relational approach, it also exposes firms to reputational risk and the possibility of political backlash, particularly amid rising economic nationalism (Mellahi et al., 2022).

Fourth, recent research highlights the importance of organisational design and governance in mediating MNC responses to policy shifts. Firms that delegate greater strategic autonomy to subsidiary management, build cross-functional capabilities for scenario planning, and maintain diverse political intelligence networks demonstrate stronger adaptability in volatile institutional environments (Kostova et al., 2022; Teece, 2023).

## ANALYSIS AND DISCUSSION

**Patterns and Tensions in the Literature**

A close reading of the literature in this area uncovers several significant tensions that warrant explicit discussion. The first concerns the tension between commitment and flexibility. While flexibility and reversibility represent the theoretically correct strategic posture under uncertainty in Dixit and Pindyck's (1994) original formulation, the competitive dynamics literature indicates that withdrawing too early or committing less than full investment due to uncertainty can result in the loss of market position to more committed competitors (Tong et al., 2023). This tension is not merely theoretical; it is a real strategic problem that MNC leadership teams must confront in practice. The most advanced recent thinking rejects a binary choice between commitment and flexibility in favour of a phased investment path, acquiring information incrementally and committing greater resources once uncertainty is sufficiently resolved (Li & Rugman, 2021).

A second tension exists between firm-level agency and structural constraint. While the dynamic capabilities and corporate political activity literatures emphasise the MNC's capacity to actively shape its institutional environment, Institutional Theory highlights the considerable structuring power of historically embedded institutional arrangements that firms find difficult to influence. Oliver's (1991) typology of strategic responses to institutional pressure, ranging from acquiescence through compromise, avoidance, and defiance, to outright manipulation of institutional expectations, offers the clearest theoretical resolution of this tension available in the literature: firms are neither purely structurally determined nor purely free agents, but instead select among a bounded repertoire of responses whose availability depends on the firm's resource position and the institutional field's tolerance for deviation. This tension is especially pronounced in high-uncertainty settings, where outcomes may be shaped as much by informal institutions, social norms, relational networks, and informal enforcement mechanisms as by formal rules. The resolution lies in recognising that institutional contexts are inherently multi-faceted: firms possess greater agency in some institutional arenas than others, and strategic competence consists in correctly diagnosing which arena calls for structural accommodation, in Oliver's (1991) terms, acquiescence or compromise, and which permits the exercise of agency, avoidance, defiance, or manipulation.

The third tension concerns the level of analysis. Existing literature tends to treat the firm as the unit of analysis, examining how individual MNCs manage uncertainty. However, policy uncertainty is fundamentally a systemic process, generated through the interplay of state actors, international institutions, civil society, and market actors, and reinforced through the isomorphic mechanisms, coercive, mimetic, and normative, that DiMaggio and Powell (1983) identify as driving convergent organisational responses within a shared institutional field. A purely firm-level focus risks obscuring the extent to which MNC responses themselves contribute to the environment of uncertainty, for instance, through collective disinvestment that weakens host-country institutions and thereby generates further uncertainty (Mansfield & Milner, 2023).

**The Integrated Uncertainty Governance (IUG) Framework**

Building on this analysis, the paper proposes an integrative conceptual framework for MNC strategic decision-making under conditions of policy uncertainty, organised around three interdependent strategic imperatives: institutional intelligence, adaptive architecture, and political engagement governance. This subsection presents the framework in full: its component mechanisms, the propositions that formalise the relationships among them, its boundary conditions, and its position relative to the three theoretical lenses.

**Component 1: Institutional Intelligence**

Institutional intelligence refers to the MNC's capacity to proactively track, understand, and forecast policy trends through a systematic, portfolio-level approach. It comprises four component mechanisms: (i) an internal political risk and government-relations function with defined reporting lines into strategic planning; (ii) external advisory relationships and scenario-modelling partnerships that supplement internal capacity; (iii) local knowledge networks and country- or region-specific expertise, often embedded in subsidiary management; and (iv) a signal-filtering analytic capability that distinguishes consequential policy signals from noise in environments characterised by ambiguous and often contradictory information (Kobrin, 2022). Institutional intelligence is not simply a matter of data collection; it requires the analytical capability described in mechanism (iv) to convert dispersed political information into decision-relevant intelligence. Firms that cultivate country and regional expertise, build local knowledge networks, and institutionalize political risk intelligence within strategic planning are markedly better positioned to anticipate and respond to policy change.

**Component 2: Adaptive Architecture**

Adaptive architecture refers to the organizational design characteristics that support a firm's capacity to respond quickly and effectively to policy shifts. It comprises four component mechanisms: (i) modular value chain design, in which production nodes can be substituted without disrupting the broader system; (ii) governance design that calibrates the balance of subsidiary autonomy against headquarters control; (iii) human resource design that cultivates cross-cultural and cross-institutional capability throughout the organization; and (iv) staged or phased investment commitment, operationalising the real-options logic of Dixit and Pindyck (1994) at the organisational-design level rather than the individual-investment level. The concept of strategic ambidexterity (Fainshmidt et al., 2022) is particularly relevant here, since policy uncertainty creates an ongoing need to recalibrate the balance between exploiting existing advantages and exploring new opportunities.

**Component 3: Political Engagement Governance**

Political engagement governance refers to the institutional structures through which MNCs interact with government actors and seek to influence the policy contexts in which they operate. The literature suggests four properties of effective political engagement governance: (i) strategic coherence, ensuring political engagement activities align with the firm's core business objectives; (ii) legitimacy orientation, ensuring political engagement is oriented toward credible contributions to host-country development rather than rent-seeking; (iii) portfolio diversification, dispersing engagement across multiple political actors and arenas to avoid dependence on any single relationship; and (iv) coalition and multilateral-network participation, extending Oliver's (1991) manipulation and compromise responses from the individual firm to collective industry action (Liedong et al., 2022; Mellahi et al., 2022).

**Interdependencies and Propositions**

These three components are interdependent rather than additive, and their interaction can be stated as four formal propositions that render explicit what the earlier, purely narrative version of the framework left implicit.

Proposition 1 (Institutional Intelligence → Adaptive Architecture): The quality of a firm's institutional intelligence positively moderates the effectiveness of its adaptive architecture, because accurate, well-filtered policy signals are a precondition for correctly calibrated modularity and staged-investment decisions; adaptive architecture built on poor intelligence will be miscalibrated regardless of its own design quality.

Proposition 2 (Adaptive Architecture → Political Engagement Governance): the credibility of a firm's political engagement is positively associated with the demonstrated flexibility of its adaptive architecture, because government counterparts assess an MNC's engagement as more trustworthy when the firm can visibly absorb policy change without threatening precipitous exit, consistent with the legitimacy-orientation mechanism identified above.

Proposition 3 (Political Engagement Governance → Institutional Intelligence): sustained political engagement generates insider access to policy intelligence that feeds back into, and improves the accuracy of, institutional intelligence, closing the loop between the three components; this feedback effect is strongest where portfolio diversification (mechanism iii of Component 3) prevents overreliance on a single, potentially biased, political information source.

Proposition 4 (Joint sufficiency): no single component is sufficient on its own to constitute effective uncertainty governance; the marginal value of investment in any one component is contingent on baseline capability in the other two, such that firms investing heavily in only one pillar, for instance building institutional intelligence without adaptive architecture, will realise materially lower returns on that investment than firms that develop the three components jointly.

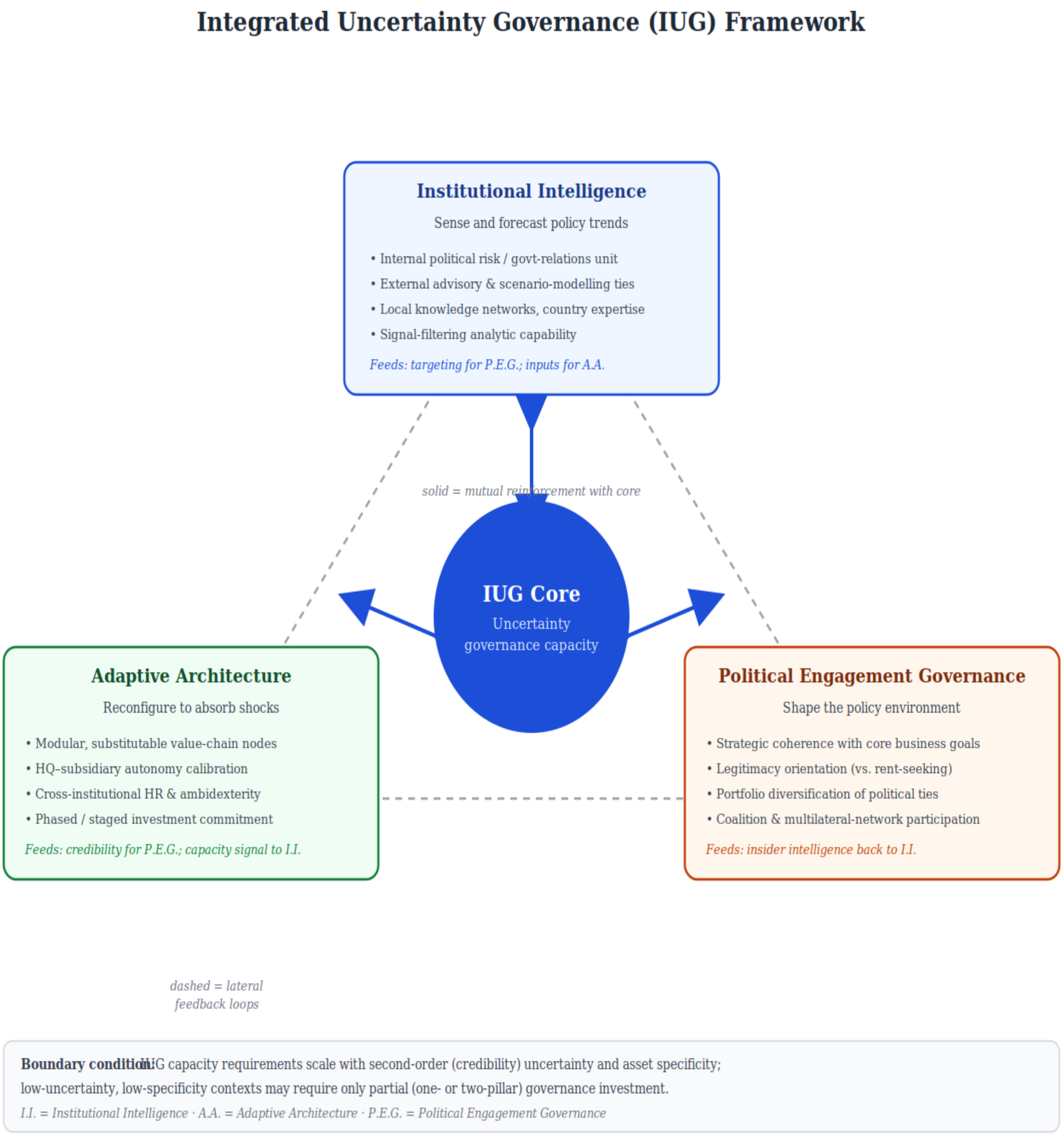
**The IUG Conceptual Model**

Figure 1 depicts the IUG framework as specified above: the three components surrounding a central IUG core (the firm's overall uncertainty-governance capacity), solid arrows denoting the mutual reinforcement between each component and the core described in Propositions 1–3, and dashed lines denoting the lateral feedback loops among the three components themselves. Each component box lists its constituent mechanisms, and the figure's legend states the boundary condition under which the full three-pillar framework is warranted, namely, contexts of high second-order (credibility) uncertainty combined with high asset specificity, following Kobrin's (1979,

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

2022) and Julio and Yook's (2022) findings on which conditions most amplify firms' exposure to policy uncertainty. In lower-uncertainty, lower-specificity contexts, the framework predicts that a partial, one- or two-pillar investment may be sufficient, offering a falsifiable scope condition that the purely narrative version of the framework did not specify.

**Figure 1**




The Integrated Uncertainty Governance (IUG) Framework for MNC Strategic Decision-Making Under Policy Uncertainty

Note. The figure depicts the three interdependent pillars of the IUG framework: institutional intelligence (top), adaptive architecture (bottom left), and political engagement governance (bottom right), each with its four constituent mechanisms, surrounding the central IUG core. Solid arrows represent the mutual reinforcement described in Propositions 1–3; dashed arrows represent lateral feedback loops between the pillars themselves; the boundary panel states the scope condition under which full three-pillar investment is warranted.

### The IUG Framework Relative to Existing Theoretical Lenses

The IUG framework's contribution is best understood in relation to the three theoretical lenses, each of which addresses part, but not all, of the strategic problem posed by policy uncertainty. Table 2 makes this comparison explicit across five dimensions: the theory's primary unit of analysis, its treatment of uncertainty, its assumption about firm agency, its temporal orientation, and the specific limitation of the prior lens that IUG is designed to address.

**Table 2. The IUG Framework Relative to Existing Theoretical Lenses**

| Dimension | Real Options Theory | Institutional Theory | Dynamic Capabilities | Integrated Uncertainty Governance |
|---|---|---|---|---|
| Primary unit of analysis | The individual investment decision | The organisational field / institutional environment | The firm's internal capability base | The firm's uncertainty-governance system, spanning intelligence, architecture, and engagement |
| Treatment of uncertainty | Uncertainty as an option-value input, assumed to resolve over time (Dixit & Pindyck, 1994) | Uncertainty as institutional volatility/voids shaping legitimacy pressures | Uncertainty as an environmental trigger for capability renewal | Uncertainty as first- and second-order (Kobrin, 2022), requiring intelligence to characterise it before it can be governed |
| Firm agency assumption | High: the firm freely chooses timing and staging | Bounded: agency varies by institutional arena (Oliver, 1991) | Moderate: agency constrained by existing resource base | Explicitly bounded and arena-specific, following Oliver (1991), but actively extendable through Component 3 |
| Temporal orientation | Forward-looking, option-value calculation | Path-dependent, historically embedded | Path-dependent but forward-adapting | Cyclical / feedback-based (Propositions 1–3), integrating path-dependence with forward intelligence |
| Limitation IUG addresses | Does not specify how firms detect that uncertainty has changed in kind (first- vs second-order) | Under-specifies firm-level capability to act on institutional diagnosis | Does not specify the political-risk-specific content of sensing and reconfiguring routines | — (integrative synthesis) |

Source: Author's synthesis, Section 2.2 and Section 5.2.

Read this way, the IUG framework's advantage over any single lens is not that it discards ROT, Institutional Theory, or Dynamic Capabilities, but that it specifies how their insights compose: institutional intelligence performs the diagnostic work that ROT and DC alone under-specify, distinguishing first- from second-order uncertainty (Kobrin, 2022) before a firm chooses whether to apply real-options staging (Dixit & Pindyck, 1994) or capability reconfiguration (Teece et al., 1997); adaptive architecture operationalises DC's reconfiguration logic at the level of organisational design rather than leaving it abstract; and political engagement governance extends Oliver's (1991) firm-level typology of institutional responses into a coordinated, portfolio-level governance function. Together, Table 2 and Propositions 1–4 give the IUG framework the specificity, testable relationships, and scope conditions that a purely narrative account of "institutional intelligence, adaptive architecture, and political engagement" could not provide on its own.

## Implications for Theory, Policy, and Practice

### Theoretical Implications

This paper contributes to international business theory in several ways. First, it integrates Real Options Theory, Institutional Theory, and the Dynamic Capabilities perspective, together with their seminal foundations in Dixit and Pindyck (1994), North (1990), DiMaggio and Powell (1983), Oliver (1991), and Teece, Pisano, and Shuen (1997), to provide a multi-level and multi-dimensional account of MNC strategic responses to policy uncertainty. Existing literature has tended to apply these frameworks separately; the synthesis proposed here, formalised as the IUG framework, surfaces important complementarities and generative tensions that remain invisible within any single-framework treatment.

Second, the paper extends the literature on political risk governance by conceptualising political engagement as an organisational capacity rather than as a series of discrete transactional activities, building directly on Oliver's (1991) typology of institutional responses. This reframing carries significant implications for the study of non-market strategy, suggesting that competitiveness in politically charged environments depends less on proximity to political networks than on the capacity to manage those networks coherently and strategically over time.

Third, the multi-level nature of policy uncertainty, spanning firm, industry, and systemic dimensions, implies that future research should draw on mixed methodological traditions, combining econometric analysis of firm-level investment behaviour with qualitative analysis of institutional dynamics and managerial cognition, and should empirically test the propositions.

### Policy Implications

The analysis carries significant implications for policymakers seeking to attract and retain MNC investment. Most fundamentally, the quality of the policy-making process is as consequential as the content of any specific policy, echoing Kobrin's (2022) distinction between first- and second-order uncertainty. Credible commitments, transparent consultation processes, and the rule of law are central to an investment climate that enables MNCs to make long-term strategic commitments. Investment in institutional capacity, including independent regulatory authorities, dispute resolution mechanisms, and investor protection frameworks, increases the likelihood of attracting durable MNC engagement (UNCTAD, 2023).

Regional integration mechanisms play a complementary role. Regional economic communities can mitigate the policy uncertainty generated by individual member states by pooling regulatory sovereignty and constructing larger, more predictable markets. Evidence from the African Continental Free Trade Area (AfCFTA) and comparable regional integration projects suggests that, while regional integration introduces its own coordination challenges, it nonetheless offers a meaningful opportunity to reduce the institutional uncertainty facing MNCs seeking to enter or expand operations in developing economies (Mansfield & Milner, 2023).

### Managerial Implications

The analysis points to several practical priorities for MNC managers and boards. First, political risk management should be elevated from an operational function to a strategic, board-level governance responsibility, with clear leadership accountability for policy risk. The complexity and dynamism of contemporary policy environments cannot be adequately addressed through conventional risk-assessment methods alone, necessitating the embedding of political intelligence, scenario planning, and strategic flexibility at the core of strategic planning.

Second, investment in institutional intelligence should be recognized as a strategic rather than an overhead expense. Firms that develop robust political risk assessment capabilities, combining internal expertise with external advisory relationships and local knowledge networks, are better positioned to anticipate policy shifts and respond proactively rather than reactively.

Third, policy uncertainty parameters should be explicitly incorporated into value chain architecture decisions. Global supply chain design, manufacturing footprint, and distribution networks should be optimised not solely for efficiency but for sufficient optionality to withstand policy shocks. This may require trading some cost efficiency for structural flexibility, a trade-off increasingly warranted given the scale and frequency of disruption in the contemporary policy landscape (Evenett et al., 2022).

## CONCLUSION

This paper has examined the strategic decision-making challenges posed by policy uncertainty for multinational corporations in an increasingly volatile global market. Through a critical synthesis of Real Options Theory, Institutional Theory, and Dynamic Capabilities frameworks, grounded in their seminal pre-2021 theoretical foundations and combined with an analysis of empirical studies published between 2021 and 2026 following the documented and quality-appraised systematic review protocol, the paper demonstrates that policy uncertainty is a multidimensional phenomenon that no single theoretical lens can fully capture. Effective uncertainty governance instead requires the orchestration of institutional intelligence, adaptive organizational architecture, and political engagement governance, a combination this paper terms Integrated Uncertainty Governance (IUG), with its component mechanisms, four formal propositions, and explicit boundary conditions. The literature documents several tensions that cannot be resolved from any single strategic perspective: commitment versus flexibility, firm agency versus structural constraint, and systemic versus firm-level analysis. These are not mutually exclusive but require dynamic, context-dependent balancing.

The paper's contribution operates at theoretical, empirical, and practical levels. Theoretically, it integrates complementary perspectives and their classical foundations to advance understanding of MNC behaviour under uncertainty, and it specifies, with sufficient precision, four propositions and an explicit comparison against prior lenses (Table 2) to support future empirical testing. Practically, it offers a conceptual architecture that MNC leadership teams can adapt to their own institutional contexts to inform strategic decision-making.

Several limitations should be noted. The arguments presented here are conceptual, grounded in a documented synthesis of the literature, and require validation through large-sample quantitative studies and in-depth qualitative case studies that can directly test Propositions 1 through 4. The quality appraisal protocol described, while adapted from established SLR guidance, necessarily involved judgment in scoring conceptual sources, and a different appraisal team might reasonably score borderline sources differently, even with the reported inter-rater reliability. The IUG framework's generalizability and its application to particular sectoral, regional, or firm-size contexts will require further elaboration and empirical refinement. The paper has also been confined to large, established MNCs; a separate line of inquiry is needed to examine smaller firms, including born-global and regional multinationals originating from emerging economies.

Several directions for future research follow from this analysis. Longitudinal studies tracking MNC strategic reconfiguration across successive phases of policy uncertainty would substantially deepen understanding of the dynamic processes theorized here. They would allow direct empirical testing of the IUG framework's four propositions. Comparative analyses of how MNCs from different institutional environments respond to similar policy shocks in a host country would clarify the influence of institutional distance and home-country imprinting on strategic responses. Finally, meso-level studies examining how industry associations, multilateral business networks, and regional integration bodies mediate between policy uncertainty and firm-level strategy would complement the predominantly firm-centric focus of existing research and illuminate the systemic dimensions that firm-based studies often overlook.

As policy uncertainty becomes an increasingly persistent feature of the global business environment, the capacity to govern that uncertainty strategically may well constitute the most important competitive advantage available to multinational corporations in the decades ahead. This paper has sought to advance that agenda by developing

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue VI June 2026

a theoretically informed, methodologically transparent, and practically relevant approach to understanding and addressing the challenge.

## REFERENCES


1. Ahir, H., Bloom, N., & Furceri, D. (2022). The world uncertainty index. National Bureau of Economic Research Working Paper No. 29763. https://doi.org/10.3386/w29763
2. Barbar, J. (2025). Government ownership in the MENA region: The roles of institutional voids, sociocultural norms and control-enhancing mechanisms. Corporate Governance, 25(8), 68–100. https://doi.org/10.1108/CG-02-2024-0068
3. Bloom, N. (2023). Fluctuations in uncertainty. Journal of Economic Perspectives, 37(1), 153–176. https://doi.org/10.1257/jep.37.1.153
4. DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 48(2), 147–160. https://doi.org/10.2307/2095101
5. Dixit, A. K., & Pindyck, R. S. (1994). Investment under uncertainty. Princeton University Press.
6. Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? Strategic Management Journal, 21(10–11), 1105–1121. https://doi.org/10.1002/1097-0266(200010/11)21:10/11%3C1105::AID-SMJ133%3E3.0.CO;2-E
7. Evenett, S., Frenkel, R., & Hoekman, B. (2022). Supply chain disruption and firms' responses to geopolitical risk. World Economy, 45(10), 3148–3178. https://doi.org/10.1111/twec.13286
8. Fainshmidt, S., Witt, M. A., Aguilera, R. V., & Verbeke, A. (2022). The MNE and varieties of capitalism: Revisiting the nexus of national institutions and competitive advantage. Journal of International Business Studies, 53(9), 1949–1974. https://doi.org/10.1057/s41267-022-00516-4
9. Gao, G. Y., Wang, D. T., & Che, Y. (2021). Impact of historical conflict on FDI location and performance: Japanese investment in China. Journal of International Business Studies, 52(6), 1–22. https://doi.org/10.1057/s41267-020-00395-z
10. Julio, B., & Yook, Y. (2022). Political uncertainty and corporate investment cycles. Journal of Finance, 77(1), 45–84. https://doi.org/10.1111/jofi.13066
11. Khanna, T., & Palepu, K. (1997). Why focused strategies may be wrong for emerging markets. Harvard Business Review, 75(4), 41–51.
12. Kobrin, S. J. (1979). Political risk: A review and reconsideration. Journal of International Business Studies, 10(1), 67–80. https://doi.org/10.1057/palgrave.jibs.8490631
13. Kobrin, S. J. (2022). How geopolitics is changing global business. Journal of International Business Policy, 5(2), 209–223. https://doi.org/10.1057/s42214-022-00149-4
14. Kostova, T., Marano, V., & Tallman, S. (2022). MNCs: Intra-firm conflicts and conflict resolution across three levels: Groups, countries, and headquarters. Journal of International Business Studies, 53(2), 245–273. https://doi.org/10.1057/s41267-021-00490-1
15. Kraus, S., Breier, M., Lim, W. M., Dabić, M., Kumar, S., Kanbach, D., Mukherjee, D., Corvello, V., Piñeiro-Chousa, J., Liguori, E., Palacios-Marqués, D., Schiavone, F., Ferraris, A., Fernandes, C., & Ferreira, J. J. (2022). Literature reviews as independent studies: Guidelines for academic practice. Review of Managerial Science, 16, 2577–2595. https://doi.org/10.1007/s11846-022-00588-8
16. Li, J., & Rugman, A. M. (2021). Real options and the theory of foreign direct investment. International Business Review, 30(1), Article 101756. https://doi.org/10.1016/j.ibusrev.2020.101756
17. Liedong, T. A., Peprah, A. A., Amartey, A. O., & Rajwani, T. (2022). A systematic review of corporate political activity research: Toward a conceptual framework. Journal of Management, 48(2), 263–312. https://doi.org/10.1177/0149206321993135
18. Mansfield, E. D., & Milner, H. V. (2023). Collapsing multilateralism and the new global trade order. Annual Review of Political Science, 26, 443–462. https://doi.org/10.1146/annurev-polisci-051921-105003

19. Mellahi, K., Frynas, J. G., & Collings, D. G. (2022). Global talent management and the emerging market challenge. Journal of International Business Studies, 53(1), 163–191. https://doi.org/10.1057/s41267-021-00456-3
20. North, D. C. (1990). Institutions, institutional change and economic performance. Cambridge University Press.
21. Oliver, C. (1991). Strategic responses to institutional processes. Academy of Management Review, 16(1), 145–179. https://doi.org/10.5465/amr.1991.4279002
22. Scott, W. R. (2001). Institutions and organizations (2nd ed.). Sage Publications.
23. Teece, D. J. (2023). Dynamic capabilities and (digital) platform lifecycles. Journal of Management, 49(6), 2016–2040. https://doi.org/10.1177/01492063221097847
24. Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. Strategic Management Journal, 18(7), 509–533. https://doi.org/10.1002/(SICI)1097–0266(199708)18:7%3C509::AID-SMJ882%3E3.0.CO;2-Z
25. Thomas, J., & Harden, A. (2008). Methods for the thematic synthesis of qualitative research in systematic reviews. BMC Medical Research Methodology, 8, Article 45. https://doi.org/10.1186/1471-2288-8-45
26. Tong, T. W., Li, S., & Li, J. (2023). Real options and strategic management: Current developments and challenges. Strategic Management Journal, 44(2), 369–390. https://doi.org/10.1002/smj.3447
27. UNCTAD. (2023). World investment report 2023: Investing in sustainable energy for all. United Nations Conference on Trade and Development. https://unctad.org/wir2023