The Capabilities That Determine Whether Multinational Enterprises (MNEs) Stay or Leave: A Case Study of Unilever's Sustained Commitment to Emerging Markets.

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Abstract

Multinational Enterprises (MNEs) operating in large, complex emerging markets (EMs) are continuously exposed to heightened geopolitical and institutional volatility, which translates into significant operational uncertainty and elevated transaction costs. This capstone investigates how MNEs successfully mitigate these risks and sustain long-term commitment rather than choosing strategic withdrawal. Utilizing the **Dynamic Capabilities Theory (DCT)**, this study employs a qualitative, critical case study of Hindustan Unilever Limited (HUL), a subsidiary operating in the highly complex Indian market environment. The research examines HUL's strategic responses to macroeconomic shifts, regulatory uncertainties, and intense local competition through the lens of DCT's three core processes: **sensing** (identifying threats and opportunities), **seizing** (mobilizing resources), and **transforming** (renewing organizational assets). The findings demonstrate that effective dynamic capabilities serve as a crucial moderating force, enabling HUL to strategically transform its governance modes and operational capabilities to maintain competitive advantage amidst pervasive institutional voids and geopolitical fluctuations. This research provides significant implications for global MNEs formulating long-term commitment strategies for high-risk, high-reward emerging economies like India.

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List of Abbreviations

AI	Artificial Inteligence
CPI	Consumer Price Index
DCT	Dynamic Capabilities Theory
EMs	Emeeging Markets
EMCs	Emerging Market Multinationals
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GPR	Geopolitical Risks
GST	Goods and Services Tax
HUL	Hindustan Unilever Limited
JAM	Jandhan-Aadhaar-Mobile
M&A	Mergers and Acquisitions
MNEs	Multinational Enterprises
ROT	Real Options Theory
S-S-T	Sensing, Seizing, and Transforming
TCT	Transaction Cost Theory
UPI	Unified Payments Interface
WiMI	Winning in Many Indias

1.Introduction

Global business expansion, particularly into emerging markets (EMs), remains a primary driver of growth for Multinational Enterprises (MNEs). EMs, characterized by rapidly expanding middle classes, demographic dividends, and significant market potential, present undeniable opportunities (Gupta & Govindarajan, 2017). However, these markets are simultaneously defined by substantial institutional fragility, geopolitical volatility, and profound uncertainty (Ghemawat, 2017). This unique combination of high reward and high risk necessitates strategic approaches that diverge significantly from those employed in stable, developed economies (Hoskisson et al., 2000).

The Indian market, the focus of this study, epitomizes this duality. Despite robust long-term GDP growth and being the world's most populous nation with a burgeoning consumer base, MNEs face intense heterogeneity, rapid technological leapfrogging, complex state regulations, and persistent geopolitical tensions (PwC, 2023). This environment creates profound transactional uncertainty and **institutional voids**, forcing MNEs to make critical strategic decisions: commit and adapt, withdraw, or transform their engagement model (Meyer et al., 2020).

Traditional theoretical frameworks, such as **Transaction Cost Theory (TCT)** and **Real Options Theory (ROT)**, offer insights into entry mode decisions and the timing of commitment. TCT suggests MNEs choose governance structures that minimize transaction costs, often favoring wholly-owned subsidiaries in high-risk environments to protect proprietary assets (Williamson, 1985). ROT posits that MNEs use flexibility—retaining the 'option to wait' or the 'option to abandon'—to manage risk (Kogut, 1991). While useful, these static or purely calculative

approaches often fail to explain the sustained, resilient commitment displayed by firms that not only survive but thrive in environments defined by perpetual turbulence.

This capstone argues that the successful long-term navigation of the Indian market's profound uncertainty is predicated on an MNE's **Dynamic Capabilities** (Teece, 2014). Dynamic Capabilities Theory (DCT) views the firm as possessing the capacity to purposefully create, extend, or modify its resource base. In volatile environments, these capabilities—specifically defined as **sensing, seizing, and transforming**—become the central mechanism through which an MNE can effectively moderate market and institutional uncertainty and strategically adapt its governance and resource commitment over time.

This research employs a critical case study methodology, focusing exclusively on Hindustan Unilever Limited (HUL), the Indian subsidiary of Unilever, as an extreme case of sustained resilience. HUL has operated in India for over nine decades, weathering economic liberalization, multiple crises (e.g., the 1991 Balance of Payments crisis, the 2008 global financial crisis, the demonetization drive, and the COVID-19 pandemic), and intense localized competition. The study seeks to systematically analyze HUL's historical and recent strategic maneuvers using the DCT framework to reveal the firm-level micro-foundations that enable it to 'transform' its commitment rather than 'exit' during periods of peak volatility.

2. Literature Review

2.1 Geopolitical Risks for Multinational Enterprises

In today's hyperconnected world, geopolitical instability has become a defining source of volatility and uncertainty in the international business environment. Scholars increasingly describe the current era as one of heightened systemic volatility, marked by frequent and unpredictable shocks such as trade wars, sanctions, and regional conflicts (Bremmer, 2024; Caldara & Iacoviello, 2022). Empirical research shows that geopolitical risk indices predict fluctuations in global asset markets and amplify volatility in strategic sectors, including energy and supply chains (Caldara & Iacoviello, 2022; Gölgeci et al., 2023). Such findings indicate that volatility has evolved from a cyclical economic phenomenon into a structural condition shaping multinational enterprises' (MNEs) strategic behavior.

For MNEs, these risks translate into higher transaction costs, regulatory uncertainty, and potential supply-chain disruptions, often compelling firms to reconsider the timing, location, and mode of entry (Wan et al., 2023; Liedong, 2020). Empirical evidence supports this: in politically unstable contexts such as the Middle East and North Africa, nearly one-third of firms identify political instability as a top constraint to doing business—surpassing financial or infrastructural barriers (Statista, 2022). This aligns with institutional theory, which emphasizes that **institutional voids**—weak legal enforcement, policy unpredictability, and fragile governance—exacerbate perceived market-entry risks (Khanna & Palepu, 2010; Zhang et al., 2023).

To explain how firms respond to such uncertainty, scholars draw on two complementary frameworks: **Transaction Cost Theory (TCT)** and **Real Options Theory (ROT)**. TCT views

uncertainty as a source of contractual hazards and opportunism, predicting that firms will internalize operations or adopt hierarchical governance to mitigate risk (Williamson, 1975, 1985; Cuypers et al., 2021). Conversely, ROT emphasizes flexibility, suggesting that firms may delay commitment or adopt low-equity entry modes to preserve adaptability (Dixit & Pindyck, 1994; Crook et al., 2013). Together, these perspectives reveal a dual dynamic: geopolitical risks can delay entry or trigger withdrawal, yet they also drive innovation through partnerships, franchising, and digital-first strategies in high-risk environments.

2.2 Emerging Markets: Opportunities and Fragility

Emerging markets occupy a paradoxical space in the global economy: they are simultaneously engines of growth and arenas of heightened uncertainty. They are described as transactional economies moving from state-controlled systems toward market liberalization, highlighting both the opportunities for foreign investment and the risks created by fragile institutions and cultural complexities (Akbar, Y. H., & Samii, M; 2005).

Building on this, multinational enterprises (MNEs) often fail to adapt to these institutional voids from developed countries, while emerging market multinationals (EMCs) succeed by leveraging local knowledge, improvisational strategies, and state support, enabling them to compete aggressively both at home and abroad (Pillania, R. K., 2008).

More recently, the discussion has shifted toward the structural drivers of emerging markets, including demographic growth, expanding middle classes, and digital leapfrogging, while also cautioning that systemic risks such as governance weaknesses, currency volatility, and geopolitical instability remain permanent features of the landscape (Marotta, 2021). Together, these

perspectives suggest that the attractiveness of emerging markets cannot be separated from their fragility.

2.3 FDI: Entry, Exit, and Re-entry under Uncertainty

Foreign direct investment (FDI) remains a primary mechanism through which multinational enterprises (MNEs) expand into emerging markets, yet decisions about entry and divestment are increasingly shaped by uncertainty and institutional fragility. In these environments, the volatility of political and regulatory systems often determines whether firms commit long-term capital or withdraw existing investments. Empirical evidence shows that political instability, weak governance, and policy unpredictability significantly deter new FDI inflows while simultaneously increasing the probability of divestment or relocation (Li & Vashchilko, 2010; Benito, 2015; Kim & Song, 2017).

Recent studies emphasize that in emerging economies, MNEs weigh entry mode and ownership structure against institutional quality. High-control modes such as wholly owned subsidiaries are less favored when expropriation or corruption risks are high, leading firms to prefer joint ventures or non-equity alliances (Meyer & Thein, 2014; Li et al., 2022). However, when uncertainty intensifies—due to sanctions, civil unrest, or policy reversals—firms often resort to divestment, a process now recognized as a strategic rather than purely reactive decision. Research on divestment shows that MNEs use it to reallocate resources, enhance resilience, or signal adaptive capability in volatile contexts (Denk et al., 2012; Surdu, Mellahi, & Ghauri, 2018).

In emerging markets such as China, India, and Brazil, waves of liberalization initially encouraged large FDI inflows, yet geopolitical tensions and regulatory reversals have since triggered partial exits and reconfiguration of investments (UNCTAD, 2024). These patterns show

that entry and divestment function as complementary aspects of the same strategic process, with entry exploiting liberalization opportunities and divestment enabling adaptation to instability. Sustainable internationalization in emerging markets therefore hinges on firms' capacity to remain flexible, building resilience and adaptability for effective withdrawal or re-entry under uncertain conditions.

2.4 Firm-Level Adaptation and Strategic Capabilities

Firms operating in emerging markets do not passively endure geopolitical or institutional turbulence; many adapt by cultivating strategic capabilities that support flexibility, resilience, and sustained commitment. Evidence shows that dynamic capabilities—particularly innovativeness, supply-chain agility, and adaptability—enhance international performance, especially when moderated by institutional development or institutional distance (Gölgeci et al., 2019). A detailed case of Natura (Brazil) further illustrates how firms build innovation and nonmarket capability over time, using collaborative governance and stakeholder engagement to mitigate institutional voids.

Commitment versus withdrawal often hinges on how firms respond: some reduce exposure through divestment or exit, while those that invest in adaptation reconfigure resources, sense shifts, and remain committed. Research shows that institutional unpredictability raises divestment risk for foreign subsidiaries—particularly when firms lack political or digital adaptability (Tang et al., 2024). In dynamic institutional environments, firms may exit and later reenter markets as conditions evolve, with foreign ownership structure affecting that responsiveness (Tang, 2023).

Together, the literature supports the view that adaptation capabilities largely determine whether FDI endures under volatility. Capabilities most often associated with sustained

commitment include: innovation/learning, supply-chain agility, local embeddedness (e.g. local supply, local management autonomy), and nonmarket responsiveness (e.g. stakeholder, political engagement). Operationalizing these capabilities can draw on scales such as those validated by Garrido (2020) for dynamic capabilities (sensing, seizing, reconfiguring), and on analyses of dynamic capabilities in supply chain disruption contexts (Roh, 2024).

2.5 The Sensing–Seizing–Transforming Dimensions of Dynamic Capabilities (DCT)

Building on Teece's (2007) seminal framework, the adaptation capabilities identified in this study are understood as manifestations of a firm's **dynamic capabilities**, which enable multinational enterprises (MNEs) to sense, seize, and transform in response to volatile and uncertain environments.

Sensing (Identification): This dimension encompasses the ability to perceive and interpret signals from the market and non-market environment. It involves organizational learning, research, and systematic scanning to identify opportunities (e.g., new demographic segments, digital trends) and threats (e.g., regulatory changes, competitive disruptions, geopolitical shifts) (Teece, 2014). In EMs, superior sensing often relies on local embeddedness and decentralized intelligence networks.

Seizing (Mobilization and Investment): Once an opportunity or threat is sensed, seizing involves mobilizing resources, developing new products or processes, and making investment commitments. This includes selecting the optimal governance mode (e.g., wholly owned vs. joint venture) and choosing the extent of strategic flexibility (e.g., Real Options) required to exploit the opportunity while managing risk (Eisenhardt & Martin, 2000).

Transforming (Renewal and Reconfiguration): This is the capability to continuously renew and reconfigure the firm's resource base and organizational structure to maintain fitness and address ongoing volatility. Transformation involves organizational learning, knowledge transfer, process re-engineering, and, critically for MNEs, divesting non-core assets or exiting old technologies to enable adaptation to new market realities (Helfat & Winter, 2011).

Viewing these adaptive capabilities through the dynamic capabilities lens clarifies that successful internationalization under uncertainty depends not merely on possessing resources, but on the continual ability to sense change, seize opportunities, and transform organizational processes for sustained performance (Garrido, 2020; Tang, 2023).

2.6 The Indian Market Environment: Drivers of Uncertainty

2.6.1 Political and Geopolitical Context

Political stability in India has generally been maintained by the central government, reducing immediate political risk. However, **geopolitical risks** remain significant. Tensions along the India-China border and the reliance on complex, often politicized, global supply chains introduce non-market volatility (Lund et al., 2021). Furthermore, the government's push for **'Atmanirbhar Bharat' (Self-Reliant India)**—a policy emphasizing domestic manufacturing and sourcing—translates into regulatory uncertainty and pressure for MNEs to localize operations, production, and supply chains. This pressure acts as an institutional void by potentially weakening the global supply chain linkages MNEs typically rely on.

2.6.2 Economic Volatility

While India's **GDP growth** remains high (often above 6%), the economy is characterized by significant volatility in key areas that directly impact consumer goods MNEs like HUL:

Inflation and CPI Trends: Persistent high inflation, particularly in food and commodity inputs, severely compresses operating margins and affects mass-market consumer purchasing power. This macroeconomic volatility creates profound uncertainty regarding pricing strategy and raw material procurement, requiring intense **sensing** capabilities.

Rural-Urban Disparity: Economic growth is uneven, leading to divergent consumption patterns. The rural economy, dependent on monsoons and government support, introduces its own unique cycle of uncertainty that MNEs must monitor closely.

2.6.3 Socio-Demographic Features

India's demographic profile is its greatest long-term advantage but also a source of complexity:

Middle Class Growth: The rapid expansion of the affluent and middle-income segments drives premiumization opportunities. However, this growth is highly heterogeneous, demanding product localization and differentiated distribution strategies.

Rural vs. Urban Heterogeneity: Vast differences in consumption habits, language, and media consumption across states and between urban and rural areas necessitate tailored strategies, multiplying the challenge of market management.

2.6.4 Technological and Digital Infrastructure

India's technological environment is defined by **digital leapfrogging**. The rapid expansion of the digital infrastructure (e.g., UPI payments, high-speed mobile data access, and the 'Jandhan-Aadhaar-Mobile' (JAM) trinity) has fundamentally disrupted traditional distribution and consumer engagement models (Katz, 2021). This presents an enormous opportunity for **seizing** (e.g., quick-commerce, direct-to-consumer models) but also a rapid competitive threat from digital-native startups, demanding constant technological **transformation**.

2.6.5 Legal and Regulatory Shifts

Regulatory policy shifts have created sudden, high-impact uncertainty. The nationwide implementation of the **Goods and Services Tax (GST)**, while simplifying the tax regime long-term, required massive operational and IT **transformation** in the short term. Furthermore, changes in FDI policies, e-commerce regulations, and evolving standards for product labeling (e.g., health claims) constantly require MNEs to adapt their governance structures and compliance routines.

Collectively, this environment establishes India as a **critical case** where a high degree of **institutional voids** (e.g., fragmented distribution channels, uneven legal enforcement) is compounded by continuous **geopolitical and economic volatility**. This perpetual state of uncertainty necessitates the advanced, firm-level **dynamic capabilities** that HUL is theorized to possess.

3. Conceptual Framework

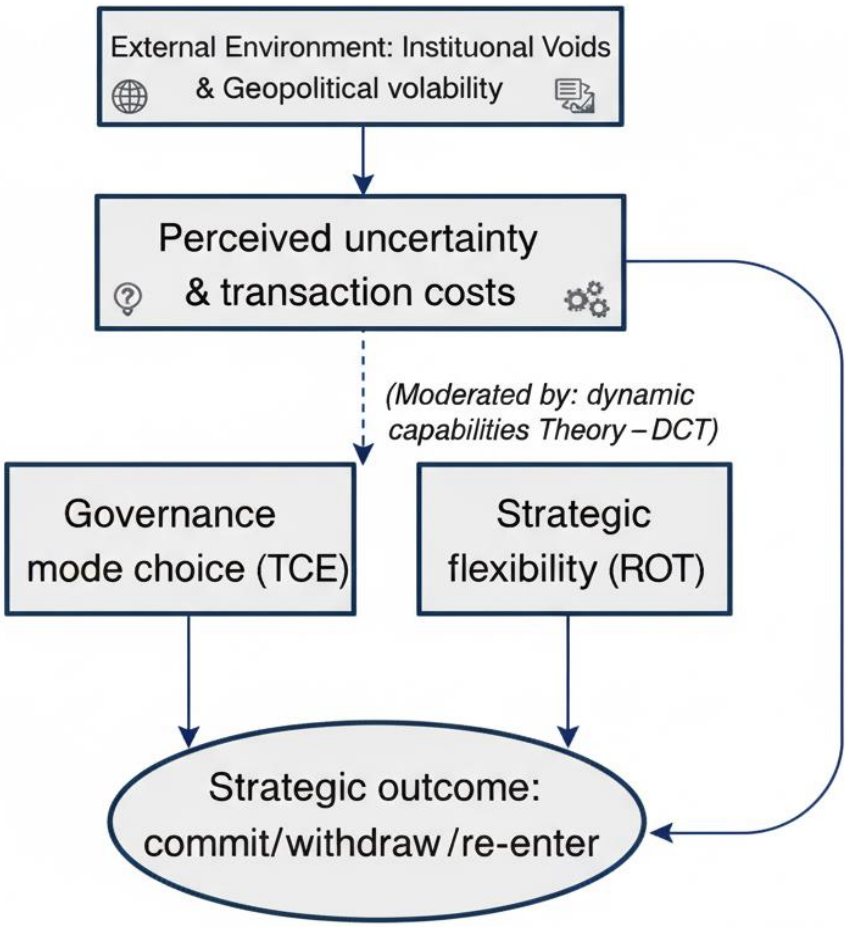

Figure 1 - Conceptual framework

A. External Drivers of Uncertainty (Independent Variables):

Institutional Voids: The deficiencies in India's market-supporting institutions (e.g., credit, enforcement, distribution channels) result in inherent market unpredictability.

Geopolitical Volatility: Macro-level risks, including international trade tensions and domestic policy localization pressures, intensify non-market unpredictability.

These drivers merge to create high levels of **Perceived Uncertainty and Transaction Costs** for the MNE (HUL). High uncertainty increases the risk of opportunism and raises the cost of writing, monitoring, and enforcing contracts (TCT logic).

B. Strategic Response Mechanisms (Intermediate Variables): The MNE initially addresses uncertainty through:

Governance Mode (TCT): The choice of ownership structure and hierarchy to protect assets and minimize contractual hazards.

Strategic Flexibility (ROT): The use of options (e.g., phasing investments, low-commitment entry) to preserve adaptability.

C. Dynamic Capabilities (Moderator): The core proposition of this study is that **Dynamic Capabilities (Sensing–Seizing–Transforming)** moderate the relationship between perceived uncertainty and the ultimate strategic decision.

Without Strong DCT: High uncertainty might automatically trigger a risk-averse strategy (e.g., low commitment, or outright withdrawal), as the MNE lacks the internal mechanisms to neutralize the risk.

With Strong DCT (HUL Case): Superior **Sensing** allows HUL to reframe threats as opportunities; **Seizing** enables rapid resource mobilization to exploit those opportunities (e.g.,

quick acquisitions, digital investment); and **Transforming** ensures the firm's governance structure and operational routines are continuously renewed, leading to sustained, adaptive market **Commitment and Transformation** instead of exit.

The framework thus shifts the focus from purely external factors dictating commitment to the MNE's *internal capacity for strategic renewal* as the determinant of long-term success in volatile EMs.

4. Methodology

4.1 Research Objective and Approach

The overarching objective of this qualitative study is to examine the role of **dynamic capabilities (sensing, seizing, transforming)** in moderating the impact of geopolitical and institutional uncertainty on MNE strategic decisions (commit, withdraw, or transform) within the highly complex Indian market. To achieve this, the study adopts a single-case, critical case study approach. This approach is best suited for theory elaboration and deep contextual understanding of a complex, contemporary phenomenon in a real-life setting (Yin, 2018).

4.2 Qualitative Case Study Method

This research employs the **critical case study method**. A critical case is selected because it allows for the examination of a phenomenon under conditions that are particularly challenging or theoretically revealing.

Case Selection Rationale: Hindustan Unilever Limited (HUL) is selected as the *critical case* because it represents an MNE that has demonstrated **extreme resilience and sustained commitment** despite nearly a century of navigating India's institutional voids, intense domestic competition, and periods of high macroeconomic and political volatility. The case of HUL serves as an "extreme" or "critical" example that allows the researcher to test the theoretical proposition—that dynamic capabilities are the key moderator—in a highly demanding environment. If dynamic capabilities successfully explain HUL's sustained commitment in India, the findings have strong theoretical generalizability to other MNEs facing similar emerging market volatility.

Unit of Analysis: The unit of analysis is the **Hindustan Unilever Limited (HUL) subsidiary's strategic decision-making process** regarding market commitment, governance, and resource configuration in response to external uncertainty.

4.3 Data Sources

The study relies entirely on secondary data, which is appropriate for documenting corporate history, strategic movements, and externally verifiable market trends. Data triangulation enhances the credibility of the findings:

Data Source Category	Specific Sources (Examples)	Relevance to Research Questions

Firm-Level Strategic Data	HUL Integrated Annual Reports (2015–2024), Quarterly Investor Presentations, Sustainability Reports, Press Releases.	**Sensing, Seizing, Transforming:** Documents strategic shifts, divestments (Transforming), new acquisitions (Seizing), and stated market outlook (Sensing).
Industry & Market Data	NielsenIQ Reports (Rural/Urban FMCG trends), Euromonitor International, Statista, Business Press.	**Sensing:** Provides objective market trends, growth divergence, channel disruption metrics, and competitive landscape.
Macroeconomic & Institutional Data	Reserve Bank of India (RBI) Bulletins, Ministry of Finance Reports, IMF/World Bank Data, Transparency International.	**Uncertainty Drivers:** Documents GDP growth, CPI/inflation trends, regulatory shifts (GST, FDI policy changes), and overall institutional quality.
Theoretical Foundation	Academic literature on Dynamic Capabilities, Transaction Cost Theory, Real Options Theory, and MNE Strategy in EMs.	**Conceptual Framework:** Guides the development of the coding scheme and analytical logic.

Table 1 - Data Source Category

4.4 Data Analysis

The data analysis will follow a structured, iterative process:

Initial Case Narrative: Develop a chronological narrative of HUL's major strategic decisions (acquisitions, divestitures, major investment announcements) within the 2015–2024 period, contextualized by concurrent macroeconomic or regulatory shocks (e.g., demonetization, high inflation, GST).

Theoretical Coding: Employ a **theory-driven coding scheme** based on the three dimensions of Dynamic Capabilities (Sensing, Seizing, Transforming) and the strategic outcomes (Commit, Withdraw, Transform).

Sensing Codes: Evidence of market research systems, investment in demand forecasting technology, recognition of digital/rural trends.

Seizing Codes: Decisions on capital expenditure, acquisitions (e.g., Minimalist), channel expansion investments, and new product launches/branding.

Transforming Codes: Divestitures (e.g., Pureit), organizational restructuring, technological adoption (e.g., Stratos, digital fluency programs), and operational streamlining.

Pattern Matching and Explanation Building: The core of the analysis involves **pattern matching** (Yin, 2018). The observed pattern of HUL's strategic responses (e.g., Divestment $\rightarrow$ Reinvestment $\rightarrow$ Transformation) will be compared against the theoretical predictions (High Uncertainty $\rightarrow$ Dynamic Capabilities $\rightarrow$ Commitment). The analysis will specifically seek to explain *why* HUL used its capabilities to **Transform** its model (deepening commitment) rather than **Withdraw** its capital in periods of peak uncertainty. This process will lead to the development of the findings and discussion sections.

4.5 Reliability, Credibility, and Limitations

Reliability and Credibility: Reliability is ensured through the systematic use of publicly verifiable data (audited annual reports, official market data) and the detailed, replicable coding scheme (Appendix D). Credibility is achieved through triangulation across multiple sources (firm, industry, and government data) to validate the interpretation of strategic actions and environmental conditions.

Limitations: The primary limitation is the reliance on secondary data. This prevents access to internal managerial reasoning, making it difficult to definitively confirm the intention behind certain actions. Additionally, as a single-case study focused on an MNE with a highly localized

business model, the findings' direct applicability to MNEs with different product types or governance structures (e.g., capital-intensive manufacturing) may be limited, though the theoretical insights on dynamic capabilities remain valuable.

5. Findings

5.1 Sensing

Hindustan Unilever's (HUL) sensing capability reflects a deeply embedded system of environmental intelligence designed to navigate India's highly fragmented and rapidly shifting market landscape. Within the dynamic capabilities framework, sensing refers to the processes through which firms identify technological, market, and competitive discontinuities early enough to respond advantageously (Pitelis, Teece, & Yang, 2024; Teece, 2007). HUL exemplifies this through its deliberate rejection of an "average India" model, instead employing multi-layer micro-market segmentation under its **Winning in Many Indias (WiMI)** architecture. This approach aligns with scholarly arguments that emerging markets cannot be treated as unified entities due to stark differences in income, infrastructure, digital access, and cultural preferences (Khanna & Palepu, 2010; Prahalad, 2005). By disaggregating India into rural "Bharat," metro urban, affluent clusters, and aspirer segments, HUL systematically senses asymmetric growth pockets that would remain hidden in an undifferentiated national analysis (Hindustan Unilever Limited, 2025).

Empirically, this capability is well demonstrated. Independent industry reports consistently highlight that rural FMCG markets have outpaced urban ones, with rural volume growth reaching approximately 8.4% in the latest operating quarters (NielsenIQ, 2024). This divergence signals a

structural shift in consumption patterns—driven by improved rural mobility, government welfare programs, and increasing digital penetration—which HUL integrates into its demand-forecasting and pricing routines. Simultaneously, HUL senses rapid transformation in channel and media ecosystems: digital commerce has accelerated far beyond traditional projections, with the company reporting that more than one-third of demand is influenced or captured through online channels, while its digital media spending has reached roughly 40% of total advertising (Hindustan Unilever Limited, 2025). This aligns with research arguing that digitalization fundamentally alters how value is created and captured in emerging markets (Katz, 2021; Sridhar & Fang, 2020).

In addition to geographic and channel sensing, HUL actively tracks evolving consumer value systems. The rise of premiumization, wellness-driven consumption, sustainability preferences, and the demand for ingredient-based personal care indicates a shift toward "value-based" rather than purely "value-for-money" choices (ICICI Lombard, 2024; Euromonitor International, 2024). Dynamic capabilities literature stresses that sensing must integrate both quantitative and qualitative signals (Winter, 2012), and HUL operationalizes this through advanced analytics, machine learning–augmented demand-sensing systems, and ethnographic consumer studies in rural and urban markets. Collectively, these sensing activities allow HUL to interpret India as a multi-speed economy characterized by rural volume growth, urban premium growth, and digital channel disruption—all of which require differentiated strategic actions. Such sophisticated sensing strongly influences the company's ability to evaluate whether it is strategically advantageous to deepen its market presence, reshape its operating model, or exit categories that no longer align with long-term opportunities.

5.2 Seizing

HUL's seizing capability manifests through its ability to convert market insights into structured strategic commitments, encompassing investment decisions, brand portfolio redesign, and multi-channel expansion. Dynamic capabilities scholarship defines seizing as the act of mobilizing resources to address identified opportunities, restructure offerings, or redesign business models (Teece, 2007; Eisenhardt & Martin, 2000). In HUL's case, this begins with the firm's sizeable financial strength—reflected in a turnover exceeding ₹60,000 crore—allowing it to invest aggressively in categories aligned with long-term consumer trends (Hindustan Unilever Limited, 2025). Rather than pursuing incremental extensions, HUL channels capital into two high-growth strategic buckets: "Future Core" categories, which grow at 1.25× market speed, and "Market Maker" segments, which expand at 1.5× (Hindustan Unilever Limited, 2025). This portfolio strategy emphasizes capturing higher-margin opportunities and reflects global MNC behaviour in emerging markets, where differentiation and innovation become critical for sustained advantage (Verbeke & Kano, 2016).

A central example of HUL's seizing capability is its acquisition of Minimalist for ₹2,955 crore—a premium, science-based skincare brand aligned with global dermatological trends and the rise of informed consumers (Unilever PLC, 2025). This acquisition is not merely opportunistic; it reflects a pattern identified in academic studies wherein multinationals acquire local disruptors to accelerate entry into new sub-categories and absorb contextual knowledge faster (Helfat & Campo-Rembado, 2016). Minimalist enables HUL to enter high-growth ingredient-led categories that appeal to young, digitally literate, health-conscious shoppers, thus leveraging both the sensing of premiumization and the seizing of technological and brand assets necessary to compete effectively.

Seizing also includes channel strategy. HUL has made significant investments in quick-commerce platforms—doubling assortment and redesigning pack formats to match fast-delivery consumption behaviours—while simultaneously launching Beauty PRO stores and premium physical retail formats (Hindustan Unilever Limited, 2025). This dual-channel expansion aligns with research that underscores the need for hybrid business models in emerging markets, where digital convenience coexists with deep-rooted offline shopping norms (Chakravarty et al., 2020). HUL's strategic pricing, localized assortments, and channel-specific innovations reveal a seizing capability that is both ambidextrous and analytically grounded.

In essence, HUL's seizing capability demonstrates a willingness to commit resources decisively in ways that reshape its competitive position. For a multinational considering whether to stay, leave, or transform in a challenging emerging market, the ability to seize opportunities at this scale indicates a strategic inclination toward transformation and deepened market commitment rather than withdrawal.

5.3 Transforming

HUL's transforming capability—its most complex dynamic capability—ensures the long-term renewal and fitness of the organization by reconfiguring assets, routines, technologies, and structures in response to market shifts. Transforming capabilities are essential for firms operating in volatile and institutionally complex environments like India, where competitive advantage is often temporary unless firms continually reinvent themselves (Teece, 2007; Pitelis et al., 2024). HUL demonstrates this through deliberate portfolio reshaping. Its recent decisions to de-merge the ice-cream business and divest the Pureit water purification unit signify a shift toward portfolio consolidation, allowing resources to be concentrated in fast-moving, high-growth categories

(Hindustan Unilever Limited, 2025). Such divestments align with research on strategic reconfiguration, where firms prune non-core units to maintain agility and free up managerial attention for emerging opportunities (Karim & Capron, 2016).

Technological renewal constitutes another major element of transformation. HUL's investment in patented Stratos technology—designed to modernize soap manufacturing—reflects a commitment to product innovation, process efficiency, and sustainability. This aligns with findings that technological upgrading is a core microfoundation of transformative capability, enabling firms to adapt manufacturing processes and supply chains to local constraints (Fabrizio, 2009; Zahra & George, 2002). Beyond patented technologies, HUL's end-to-end productivity programs, formulation optimization, and advanced supply-chain analytics demonstrate systemic capability renewal that reinforces long-term competitiveness.

Organizational transformation further strengthens this capability. HUL continually invests in building digital fluency among employees, enabling data-driven decision-making, deploying AI for demand forecasting, and modernizing its logistics network. Academic literature stresses that organizational culture, learning routines, and talent systems form the "microfoundations" of dynamic capabilities (Felin et al., 2012). HUL's focus on managerial diversity (with 42% of leadership positions held by women), continuous capability-building programs, and decentralized decision-making structures support an adaptive culture capable of ongoing recombination of resources.

Taken together, these transforming routines allow HUL to continually reinvent its operating model, ensuring long-term competitiveness in a market marked by volatility and structural change. This degree of transformation indicates that HUL's strategic posture is not one of mere continuation ("stay as is") nor retreat ("leave"), but deliberate reinvention—demonstrating

that strong transforming capabilities push multinationals toward deeper and more adaptive forms of market commitment.

6. Discussion

6.1 Dynamic Capabilities as a Moderator of Uncertainty

The first research question asked how the Indian market's institutional voids and geopolitical volatility translate into perceived uncertainty for HUL. The PESTLE analysis (Section 2.6) clearly established the environment of **pervasive uncertainty**, driven by high inflation/CPI volatility, sudden regulatory shifts (GST), and digital disruption, compounded by the constant pressure of 'Atmanirbhar Bharat' localization policies.

The evidence from HUL's operations demonstrates that its dynamic capabilities do not eliminate this uncertainty, but critically, they **moderate its negative impact** on strategic decision-making. Where traditional TCT or ROT might predict withdrawal or stalled investment in response to a surge in GPR or institutional uncertainty (e.g., following the 2017 GST implementation or the 2020-2022 high inflation period), HUL utilized its capabilities to maintain and even deepen its commitment.

Sensing Moderates Regulatory and Market Uncertainty: HUL's WiMI architecture and advanced analytics (Section 5.1) act as an internal mechanism to neutralize external fragmentation. By disaggregating the national market into micro-segments, the macro uncertainty (e.g., national CPI volatility) is broken down into manageable, localized risk profiles (e.g., rural volume pressure vs. urban premiumization). This superior internal data and intelligence (**Sensing**) reduces the

perceived transactional uncertainty, allowing HUL to proceed with targeted investment rather than adopting a blanket risk-off stance.

Seizing Moderates Commitment Uncertainty (Real Options Logic): The seizing capability, demonstrated through targeted M&A (Minimalist acquisition) and dual-channel investments, acts as a sophisticated form of Real Options. ROT suggests flexibility is key; however, HUL does not simply *wait*. Instead, it uses its financial strength to **seize strategic options** when opportunities align with sensed trends. Acquiring a small, agile, local disruptor provides HUL with a fast, proven entry option into a high-growth segment, effectively purchasing local knowledge and brand relevance in a way that minimizes the transaction costs and time associated with building the capability organically. This demonstrates that dynamic capabilities enable MNEs to *exercise* and *create* options, thereby moderating the uncertainty associated with large, irreversible capital commitments.

In essence, the dynamic capabilities acted as a filter: rather than viewing macroeconomic and institutional turbulence as an insurmountable deterrent, HUL's S-S-T routines allowed management to view it as a **source of competitive advantage**, exploiting the inability of less-capable competitors (both local and foreign) to adapt to the same chaotic conditions.

6.2 Why HUL "Transforms" Instead of "Exits"

The second key objective was to determine what specific capabilities allow HUL to choose transformation over exit. The findings strongly suggest that the **Transforming** capability is the definitive factor ensuring long-term market commitment.

When MNEs face escalating risk, they have three primary choices: **Commit (staying the course), Withdraw (exit/divestment), or Transform (strategic renewal)**. HUL's strategy is not static commitment, but continuous transformation, evidenced by two major actions:

Strategic Portfolio Reconfiguration: Divesting the Pureit water purification and ice-cream businesses (Section 5.3) is often categorized as withdrawal under the FDI literature (Surdu et al., 2018). However, in HUL's context, this was not a generalized exit from the Indian market due to risk; it was a **strategic divestment driven by transformation**. By pruning non-core or capital-intensive units, HUL freed up capital and managerial focus to re-invest in high-growth, high-margin categories (like the acquired Minimalist brand). This aligns with the DCT view of transformation as the **purging and recombination of assets** necessary to maintain competitive fitness in a rapidly changing environment (Karim & Capron, 2016). HUL used divestment *not* to leave, but to *re-engineer* its market presence.

Investment in Technological Renewal: The adoption of Stratos technology and the organizational drive for digital fluency (Section 5.3) demonstrates a commitment to operational transformation that neutralizes cost volatility and institutional voids. Stratos addresses the efficiency challenges inherent in managing complex Indian supply chains, while digital fluency neutralizes the human capital gap (an institutional void). These internal renewal efforts signify an irreversible, long-term commitment that contrasts sharply with the low-flexibility, reactive nature of a typical withdrawal strategy. HUL is investing in the microfoundations of its future success in India, signaling its belief that the market's long-term opportunities outweigh its short-term volatility.

In summary, HUL's transformation capabilities allow it to treat volatility as a constant requirement for **strategic resource reallocation**. It uses its dynamic capabilities to continuously

shed resources and routines that have become a liability (high-cost operations, non-core brands) and acquire or build resources that represent the future (digital commerce, premium ingredients), thereby assuring its sustained viability and competitive advantage.

6.3 Implications for MNEs Entering India

The HUL case provides three crucial strategic implications for MNEs either entering or expanding their commitment in the high-growth, high-risk Indian market:

Decentralized Intelligence is Non-Negotiable: MNEs cannot rely on aggregated national data. They must adopt a "many markets" approach, requiring deep local managerial autonomy and investment in proprietary sensing mechanisms (like HUL's WiMI) to break down macro-level uncertainty into actionable, micro-level strategies. This is essential for navigating the immense **socio-demographic heterogeneity**.

Transformation Requires Divestment: Sustained commitment in a volatile EM is not about simply holding all assets. MNEs must embed **transforming capabilities** that include the routine, strategic culling of non-core or obsolete business units. Agility is achieved not just by being fast, but by being unburdened. The ability to divest seamlessly must be integrated into the strategic planning cycle, linking the ROT logic of option abandonment with the DCT logic of renewal.

Digital-Enabled Embeddedness is the New Governance Mode: In India, where institutional voids in distribution and market information are pronounced, digital infrastructure acts as a substitute. MNEs should prioritize seizing opportunities to invest in digital embeddedness (e.g., quick-commerce integration, in-house data analytics) over purely structural governance

decisions (e.g., wholly owned vs. joint venture). Digital agility effectively minimizes transactional hazards, thereby reinforcing the viability of high-commitment governance modes.

7. Conclusion

7.1 Summary of Findings

This capstone examined the role of dynamic capabilities in moderating the impact of profound geopolitical and institutional uncertainty on the long-term strategic commitment of MNEs in the Indian emerging market, using Hindustan Unilever Limited (HUL) as a critical case study. The research successfully demonstrated a theoretical link between external volatility and internal adaptive capacity. The complex interplay of institutional voids and political risks in India generates high perceived uncertainty (Research Question 1). HUL's strategic longevity is not due to passive endurance, but to the proactive exercise of its **dynamic capabilities (Sensing, Seizing, and Transforming)**.

The empirical findings confirmed that:

Sensing (WiMI, advanced analytics) enabled HUL to disaggregate national uncertainty into manageable market segments, directly reducing perceived transactional risk.

Seizing (targeted M&A, channel expansion) allowed HUL to rapidly mobilize resources to exploit specific opportunities in premium and digital segments, effectively exercising strategic options (Research Question 2).

Transforming (portfolio restructuring, technological renewal like Stratos) allowed HUL to continuously renew its operational and resource base, choosing adaptive reinvention over simple retreat (Research Question 3).

7.2 Theoretical Contributions

This study makes a significant theoretical contribution by formally integrating Dynamic Capabilities Theory as a moderating variable into the established framework of MNE strategic decision-making (TCT and ROT). While TCT and ROT explain the rationale for initial governance choices and the value of flexibility, they often fall short in explaining sustained, high-commitment performance in highly volatile EMs. This research shows that DCT provides the missing link: it is the process of capability renewal that enables the MNE to maintain high-commitment governance and transform strategic flexibility into decisive action, ultimately driving continuous transformation rather than reactive withdrawal.

7.3 Managerial Implications

For MNE practitioners, the HUL case provides a practical model for sustained emerging market success:

Invest in Internal Data Systems: Prioritize decentralized, micro-level **Sensing** to manage institutional fragmentation.

Treat Divestment as Renewal: View portfolio pruning (Transforming) not as failure, but as a mechanism to free up capital and managerial focus for future growth opportunities.

Embrace Digital Substitution: Use digital infrastructure and technological upgrades (Seizing and Transforming) to substitute for institutional voids (e.g., inefficient traditional logistics or information asymmetry).

7.4 Limitations and Future Research

The primary limitation of this study is its reliance on a **single, secondary data case study**. While appropriate for a critical case analysis, this limits the generalizability of the findings to MNEs in different sectors (e.g., manufacturing vs. services) or those with different ownership structures.

Future research could address these limitations through several avenues:

Comparative Analysis: Extending the framework to a comparative study between HUL and another MNE that **did withdraw** from the Indian market (e.g., a major retailer or auto manufacturer) to solidify the conditions under which dynamic capabilities fail to develop or are insufficient.

Primary Data Collection: Conducting interviews with MNE executives to gain insight into the *perceived* level of uncertainty and the *intentionality* behind sensing, seizing, and transforming routines.

Quantitative Measurement: Developing and testing a quantitative model that measures the correlation between investment in specific microfoundations of dynamic capabilities and resilience metrics (e.g., sustained market share or revenue stability) during periods of high geopolitical risk index scores.

Biography

Giada Alfano is a graduating senior at John Cabot University in Rome, Italy, pursuing a Bachelor of Arts in International Business and minor in Marketing. Throughout her academic journey, she has demonstrated strong interest and engagement in courses such as Operations Management, Data Applied Analytics, E-Marketing, International Management, and Reta. Her studies have equipped her with key competencies in project management, teamwork, and professional English communication. She is fluent in Italian, English, and Spanish. Giada plans to pursue a Master in Luxury Management aiming to further deepen her expertise and prepare for a career in luxury management within international business environments.

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