



MNE nonmarket strategy in a changing world: Complexities, varieties, and a values-based approach

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ABSTRACT

Burgeoning complexity and variability in the political and social contexts in which multinational enterprises (MNEs) operate has led to increased research on MNE nonmarket strategy. This focus is enhanced by ethical concerns about the nonmarket practices of big business, particularly in institutionally fragile or nascent market contexts. In this introduction to our special issue on the complexities and varieties of nonmarket strategy, we review the extant research on MNE nonmarket strategy, specifically on corporate political activity and corporate social responsibility. Our review suggests that to address the complexities related to nonmarket strategy in a changing international context, corporate stewardship is inadequate and MNEs must adopt a more authentic and culturally embedded values-based nonmarket strategy approach, which can contribute to long-term advantage. Subsequently, we introduce and synthesize the papers in our special issue and present a research agenda for furthering scholarship on values-based nonmarket strategy.

1. Introduction

Nonmarket strategy is the configurations and activities through which firms strategically manage their political and social environments (Lawton et al., 2020). It is a concerted approach to creating or sustaining competitive advantage by proactively engaging and managing the political and social context in which the firm operates (Rajwani & Liedong, 2015; Mellahi et al., 2016). The two main traditional components - corporate political activity (CPA) e.g., firm endeavors to influence government policymaking; and (strategic) corporate social responsibility (CSR) e.g., firm efforts to manage social and environmental concerns - have received significant attention in the international business (IB) literature (Boddewyn & Doh, 2011; Brown et al., 2018; Mbalyohere & Lawton, 2018; Shirodkar et al., 2020). For MNEs, host governments, while recognizing the benefits of foreign investment to their economies, can also purposely develop rules and regulations ostensibly to protect their citizens from exploitation by foreign MNEs (Hymer, 1960). Host governments may also interfere with the operations and strategic objectives of MNEs through discriminatory policies on procurement, taxation, asset transfer, and appropriation, among

others. In response to these risks, MNEs adapt nonmarket strategies in ways, and with methods, that are both responsible and irresponsible (Kobrin, 2015).

The political and social risks facing MNEs are even higher in an era of anti-globalization and economic nationalism. There is an extensive body of literature dealing with nonmarket strategy and globalization (Curran & Eckhardt, 2020; Prakash, 2002; Kobrin, 2015; Scherer & Palazzo, 2011). Coupled with institutional voids, this can lead MNEs to engage in unethical nonmarket strategies. Yet, a few notable exceptions notwithstanding (Liedong et al., 2020a), the literature on MNE nonmarket strategy involving corruption, regulatory capture, deception, sabotage, espionage, fake news, and so on, is still nascent despite evidence that corporate political ties are more prevalent or valuable in high-corruption contexts (Faccio, 2006). This gap is surprising because anti-globalization sentiments are borne by individuals, organizations, and social movements that are not only suspicious of and concerned about the dangers of unchecked corporate power, but are also repelled by the mutually convenient and often unethical business-government relationships that have facilitated the rise of MNEs, especially in countries where institutions are fragile or underdeveloped. Indeed, previous

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studies have reported crony connections between firms and politicians (Dieleman & Sachs, 2008), as well as firms' use of ethically-suspect political strategies (Lawton et al., 2013, Liedong et al., 2020a). Concerned about this "dark side" of nonmarket strategy, some studies have discussed the governance challenges associated with CPA at both macro and micro levels (Liedong, 2021) and others have advocated corporate stewardship – which involves the active discretionary practices of senior managers' in socio-political matters (Davis et al., 1997; Hadani et al., 2016) – to address the complexities and negative externalities of nonmarket strategy. Dahan et al. (2013) even proposed frameworks for ethical CPA. However, there is still a dearth of research on this theme and on how the practical orchestration of CPA adheres to these frameworks.

Beyond the dark side of CPA, there is also the bright side. Some scholars have argued that certain CPAs – informational lobbying and constituency building techniques in particular – provide valuable information to help imperfectly informed policymakers understand the consequences of policy alternatives for diverse stakeholders (Liedong et al., 2020a, Lohmann, 1995). Others have proposed how MNEs can strategically cooperate with host governments to reduce corruption (Doh et al., 2003) or leverage regulatory pressures to cause positive change in host country institutions (Kwok & Tadesse, 2006). In Africa, where corruption is endemic, studies have specifically advanced the role that CPA could play in strengthening anti-corruption institutions and unlocking the region's prosperity (Idemudia et al., 2019, Liedong, 2017). Despite being uplifting, much of the little that has been written about CPA's bright side is theoretical. This makes it crucial for future research to not only continue to theorize the promise of CPA for strengthening host-institutional resilience, but to also empirically examine or investigate the practice and outcomes of CPA's bright side.

Similarly, the literature on CSR as well as corporate stewardship provides us with interesting insights in relation to the bright side of nonmarket strategy, specifically in relation to the micro aspects, such as codes of conduct and other private/voluntary forms of governance that establish the norms through which organizational legitimacy can be secured. Yet, there is ongoing discussion about the use of CSR to achieve political ends, which relates to both dark and bright aspects of dealing with the nonmarket environment. For instance, Fooks et al. (2013) discuss how tobacco companies use CSR to neutralize stakeholders' opposition to their products. Such discussions related to political CSR, challenge, on the one hand, the ethicality of CSR in engaging with politics (Frynas & Stephens, 2015); but, on the other hand, also recognize MNEs as political actors and their positive role in institutional development through the provision of public goods, especially in countries with governance gaps (Scherer, 2018). Likewise, the stewardship approach advocates MNEs' role in dealing with global challenges and achieving sustainable development goals (Kolk & Van Tulder, 2010). However, the feasibility of these approaches for MNEs with diversified product and geographical portfolios is debatable (Polonsky & Jevons, 2009).

There are a range of nonmarket strategies and tactics that firms use. From investing in political ties and social infrastructure to providing political donations in different forms (Lawton et al., 2014), there are numerous options for managing increased nationalism and heightened political risk (John & Lawton, 2018). Nonmarket strategies and related tactics are evolving and new forms are emerging (Katic & Hillman, 2023), but there are ethical implications for all variants. For example, whilst some lesser-known CPA tactics such as commenting on regulations, covert political giving and CEO / corporate activism can be argued to fall under the older umbrella of information-based, financial incentive and constituency building strategies, and are legitimately deployed in some developed contexts such as the United States (U.S.) (Hillman and Hitt, 1999; Katic & Hillman, 2023), new tactics such as regulatory co-creation (in nascent industries) (Gao & McDonald, 2022), self-regulation (in countries with institutional voids) (Dorobantu et al., 2017), litigation (using legal processes to influence regulation) (Giorgi

et al., 2019), and geopolitical jockeying (i.e., capitalizing on nationalism) (Lubinski & Wadhvani, 2020) require further research and are new to the nonmarket strategy field. As MNEs are engaged in continuous interactions with actors and stakeholders in home and host country nonmarket environments, they can be drawn into unethical practices by corrupt political officials and leaders. How they respond via their nonmarket strategy can define their corporate strategy and reputation. Due to the salience of ethical nonmarket strategies, there is a need for more research on both the positive and negative, bright and dark sides, of nonmarket strategy, particularly in the context of anti-globalization movements and sentiment (Doh et al., 2012).

This paper makes some important contributions to the nonmarket strategy literature. First, we review the literature on MNEs' political strategies, strategic CSR, and corporate stewardship, and examine the pros and cons of these strategies. Second, drawing on the special issue articles, we highlight the various ways MNEs deal with nonmarket factors such as populism, anti-global sentiments, institutional voids, and trade policy. For instance, Hartwell and Devinney (2022) review how different types of populism create political 'obligations' among firms, and discuss the pros and cons of these obligations. In anti-global and nationalist host countries, Bucheli and DeBerge (2023) draw on historical perspectives to examine how MNEs positioned themselves as supporters of these regimes by adapting their product portfolios. While, Peprah et al. (2023) discuss how MNEs can deploy nonmarket strategy to fill institutional voids (in Africa) and co-create regulation in the e-commerce sector. Finally, Curran (2023) examines the litigation strategy within the trade policy context in terms of its effect of MNE reputation and social license to operate.

Third, we critique and outline the weaknesses of corporate stewardship in addressing the complexities of nonmarket strategy, leading to calls for a different approach to orchestrating ethical CSR and CPA. As previously suggested, although the stewardship approach has been gaining momentum in the nonmarket strategy literature, it becomes less viable where MNEs are faced with conflicting demands from different stakeholders.

Finally, building on the prior literature as well as insights from the special issue articles, we suggest that prior focus on the profit-centered approach to nonmarket strategy needs to be revisited. Hence, we advance the values-based approach to nonmarket strategy for achieving a sustainable balance between organizational goals and societal welfare, and subsequently develop a future research agenda to generate useful contributions that can enhance our understanding of MNEs' nonmarket strategy in an ever more complex world. We hope our article generates new insights into the bright and dark sides of nonmarket strategies, especially in relation to governments, political risk, and increasingly the anti-global and anti-big business environment within which MNEs operate. We also hope that our article inspires an adapted orchestration of nonmarket strategy that places societal welfare and morality at the centre of MNE socio-political engagements.

2. MNE corporate political activity

Most extant research on CPA has focused on a domestic or a generic context, without a specific focus on MNEs. But a growing stream of research is emerging on CPA in an international business context, that is, how MNEs conduct CPA. Earlier studies (Hansen & Mitchell, 2000, Mitchell et al., 1997) have shown that foreign firms differ from domestic counterparts in the extent of CPA (or political activeness), with domestic firms spending more on lobbying and political action committee (PAC) contributions in the U.S., compared to foreign firms. Clearly, the host country presents significant challenges for foreign MNEs in conducting CPA, including liabilities of 'foreignness' (Hillman & Wan, 2005). Firms from home countries with weak institutions, additionally, also face liabilities of 'origin' (Ramachandran & Pant, 2010, Stevens & Shenkar, 2012) or 'emergingness' (Zhang, 2022) – defined as negative perceptions among host country stakeholders about the governance standards

and product (or service) quality of firms originating from emerging countries. Subsequently, the political capabilities of these firms (gained through CPA) have been argued as a way to improve legitimacy and mitigate these liabilities (Liou et al., 2021).

In general, MNE CPA at the host country level has been motivated by the possibility that the host government might implement policies to favor domestic interests, especially in nationalistic contexts, when local consumers and stakeholders show a preference for domestic products and services (Hymer, 1960). Earlier studies on MNE CPA focused along these lines and emphasized the distribution of bargaining power between MNEs and host governments (Kapoor, 1970, Fagre & Wells, 1982, Vernon, 1981, Lecraw, 1984). Depending on bargaining power, it was argued that large MNEs were able to negotiate favorable entry into host countries. However, these studies paid less attention to post-entry issues, when firms' investment resources could be held hostage by governments to secure more investments from MNEs in an obsolescing bargain (Eden & Molot, 2002, Ramamurti, 2001, Luo, 2001b). Subsequently, the literature focused on how MNEs and their subsidiaries gain and maintain organizational legitimacy in host markets, among other advantages such as access to local resources and contracts (Blumentritt & Nigh, 2002, Boddewyn & Brewer, 1994, Hillman & Wan, 2005, Rodriguez et al., 2006a).

2.1. Varieties of MNE CPA

An important line of research on MNE CPA has been the focus on the specific tactics used by MNEs in different host countries. As host countries differ in terms of the (formal and informal) business-government interfaces available for firms to voice their nonmarket issues and interests, MNEs must pursue specific CPA tactics in line with the characteristics of the political markets in host countries (Choi et al., 2020). Political connections, as a relational form of CPA, seemed to be more commonly adopted by MNEs in a variety of countries (Deng et al., 2018, Sojli & Tham, 2017, Hung et al., 2018, Cui et al., 2018, Bucheli & Salvaj, 2018). However, traditional tactics such as informational lobbying and constituency building (e.g., press conferences, advocacy advertising, and educating the government), conducted by MNEs on an individual basis (i.e., privately) and in a transactional fashion, have been most popular in the United States and European Union (Coen, 1999). Yet, their use has been recognized in a narrow set of other countries such as Australia (Banerjee & Venaik, 2018a), India (Shirodkar & Mohr, 2015b) and South Africa (Wöcke & Moodley, 2015). Among the financial incentive strategies are providing campaign contributions and paid travel, for which, the U.S. and some European countries have set legal limits on the amounts of money that can be given by corporations to politicians (Hillman & Wan, 2005). Such legal frameworks are, however, absent in most countries, notably in emerging and frontier economies, for instance, in Ghana (Heidenreich et al., 2015) and Nigeria (Liedong et al., 2020a), where these tactics are often associated with corruption. In China, it is argued that such Western-type CPA tactics can be conducted following the development of connections as a relational approach (Gao et al., 2018). In other countries (like in the Middle East), it is also argued that MNEs need to be more diplomatic in their approach to CPA (Doh et al., 2022) and network with other businesses or influential families to voice their opinions to political stakeholders (Hadjikhani et al., 2008). In contexts with large-scale institutional voids, MNEs may also be seen to conduct ethically suspect CPA tactics labelled as affective and pseudo-attributive strategies (Liedong et al., 2020a). In general, there is plenty of scope for further research to examine unique and new tactics used by MNEs to engage with political stakeholders (Katic & Hillman, 2023). An important area for future research is where MNEs are confronted with heightened scrutiny of Environment, Social and Governance (ESG) frameworks, and are increasingly required to engage responsibly with policymakers, especially in institutionally voided contexts.

2.2. Antecedents of MNE CPA

Prior research has also focused on the distinctive antecedents of MNE CPA. Evidently, the usual firm and industry-level factors (such as slack resources, capabilities, and regulation) that cause MNEs to become more politically active in their domestic market, also apply when conducting CPA in host countries (Hillman, 2003). However, the institutional characteristics of the MNEs' home countries form an important distinctive determinant of MNE CPA in host countries (Cuervo-Cazurra et al., 2018). For example, MNEs from politically stable home countries are found to be more intensive in their political ties in host countries (White et al., 2018b). Likewise, MNEs from institutionally stronger home countries are more likely to engage in informational lobbying in host countries, whereas those from institutionally weaker home countries are found to exploit connections and other informal strategies (Shirodkar et al., 2017). However, with greater experience and legitimization of the subsidiary in the host market, MNEs' subsidiaries in a host country may be able to use informational and constituency-building strategies to a greater extent (Hillman & Wan, 2005). In emerging markets more specifically, the intensity of political ties may be driven by legal system inadequacies (White et al., 2015, White et al., 2020) and regulatory pressures (White et al., 2018a). MNEs with greater dependency on host-country resources also tend to use political strategies to a greater extent (Shirodkar & Mohr, 2015a). As MNEs experience 'institutional duality' – conflicts in institutional pressures between home and host countries (Nell et al., 2015) – research also suggests that MNEs must use political strategies that fit both their home and host countries (Schnyder & Sallai, 2020). Consequently, such contextual and geographical distances also increase the propensity of political ties in foreign markets (Klopf & Nell, 2018). Overall, while there has been a plethora of research on how institutional characteristics of home and host countries determine MNEs' political strategies in host countries, there is less research on MNE CPA in a multi-country setting. Most prior research has focused on a single context or a set of countries within specific regions (Liedong, Aghanya, et al., 2023, White et al., 2018b). However, multi-country studies on MNE CPA are increasing and this presents an important area for further research.

2.3. Outcomes of MNE CPA

Finally, MNEs are also argued to secure distinctive advantages from CPA compared to their domestic counterparts, although research on the outcomes and performance implications of MNE CPA (i.e., beyond the domestic context) remains surprisingly limited. In relation to political connections – as a relational form of CPA – prior research has found that subsidiary-level connections often result in improved subsidiary performance in terms of market expansion opportunities and asset efficiency (Luo, 2001a). For instance, Sun et al. (2010) found that, in the 1990 s, foreign automobile companies that became embedded in the political environment of China (among networks of suppliers, distributors and other external stakeholders) were able to benefit from improved performance in the short and medium terms. Nonetheless, in the longer term, their innovation capabilities contributed more to their success. A general conclusion is that MNEs that are new to a host country may benefit from engaging in political activities as a means to gain a deeper understanding of the host political environment (Bonardi & Bergh, 2015) and greater local legitimacy (Banerjee & Venaik, 2018a). Likewise, MNEs' political activities in host countries have been argued to reduce political and other institutional risks for their subsidiaries (Puck et al., 2013, Liedong et al., 2017, Fernandes et al., 2019). However, it is also alternatively noted that avoiding politicians (and CPA in general) in institutionally weak environments may also help reduce institutional risk (De Villa et al., 2019). Additionally, deeper connections and relationships with policymakers over a long period of time may cause MNEs to become increasingly dependent on host country policymakers, and this may lead to constraints on strategic decision-making among

MNEs' host-subsidiaries. In line with this argument, [Okhmatovskiy \(2010\)](#) found that MNEs' political connections have a negative impact on MNEs' subsidiary performance.

Beyond political connections, there is very limited research as to how traditional forms of CPA such as lobbying or PAC contributions impact the performance of MNE subsidiaries, as these strategies are more transactional and enable firms to keep politicians more external to the firm to retain greater autonomy ([Shirodkar et al., 2022b](#)). Research suggests that an important advantage that MNEs can secure from their domestic CPA is related to the insider information gleaned from political connections – on emerging trade policies, the opening of new markets, and so on – that can be used to secure first-mover advantages during internationalization ([Frynas et al., 2006](#)). Recent research shows that 'domestic' CPA enables firms to internationalize to a greater extent, but domestic political connections may constrain their international prospects ([Shirodkar et al., 2022a](#)). Nevertheless, there is contested evidence on the impacts of domestic political connections on firm internationalization, and this may be attributed to the heterogeneity of political connections ([Deng et al., 2018](#), [Albino-Pimentel et al., 2018](#), [Fernández-Méndez et al., 2018](#)). In sum, there is scope for further research to tease out how CPA can impact MNEs and how the social and political capital in CPA can be leveraged beyond the domestic or host context.

3. Strategic CSR in international business

The idea of 'strategic' CSR was introduced by [Baron \(2001\)](#) and [McWilliams and Siegel \(2001\)](#), where CSR was seen as an investment, and where the motivation of CSR was profit maximization via integrating societal demands into firms' market strategy (e.g., producing green or environmentally friendly products or providing employee benefits to boost productivity), and via improving CSR communication and creating 'shared value' ([Vishwanathan et al., 2020](#), [Porter & Kramer, 2006](#), [Kolk & Pinkse, 2004](#)). Strategic CSR emerged from the U. S. and from a number of Western European countries, where stakeholder pressure on firms' responsibility towards social issues began to mount from the 1960s on, particularly in response to corporate scandals that undermined trust in the business community ([Frederick, 1960](#)). Consequently, investments in CSR were seen as improving firms' reputation, reducing risk, improving capabilities, and increasing product marketability ([Hillman & Keim, 2001](#), [Husted, 2005](#), [Sharma & Vredenburg, 1998](#)). In line with these arguments, several studies found a positive (although, marginal, and subject to contingencies) relationship between CSR and financial performance, reinforcing that CSR can be a strategic investment for firms ([Van Beurden & Gössling, 2008](#)).

3.1. Antecedents of MNE strategic CSR

As firms started globalizing operations and extending value chains to developing countries, the conduct of MNE CSR (beyond domestic contexts) started to be increasingly scrutinized. Due to the increased exposure to global stakeholders (such as NGOs, international organizations, and media groups), internationalization was seen to be positively associated with CSR in most research ([Jamali & Mirshak, 2007](#), [Gugler & Shi, 2009](#), [Bondy & Starkey, 2014](#)). Yet, until the 1990s, unlike in developed countries, few institutional pressures for CSR existed in developing countries, and most MNEs operating in developing countries practiced CSR only as a means to give back to society and to gain a 'social license to operate' ([Jamali & Mirshak, 2007](#)), without significant strategic considerations. In fact, CSR was seen more implicitly in MNEs' investment in developing countries (in terms of job creation, transfer of technology and other positive externalities), and there was less demand for any explicit CSR on the part of MNEs ([Reed, 2002](#)), thereby reducing the need for MNEs to undertake CSR strategically. Notable exceptions included some resource-rich contexts such as Angola, where CSR was strategically used by MNEs to gain government contracts and licenses ([Wiig & Kolstad, 2010](#)).

Nevertheless, by far, most CSR undertaken by MNEs in developing countries was found to be non-strategic and characterized by philanthropy. Similar to CPA, such philanthropic activities were found to enable MNEs to gain organizational legitimacy and reduce liabilities of foreignness, especially in institutionally voided contexts ([Doh et al., 2017](#)). Emerging or developing countries also presented different social issues for firms – such as poverty alleviation, health care, and infrastructure – which were not the focus of firms' strategic CSR in developed countries. In this context, [Husted and Allen \(2006\)](#) argued that the propensity of MNEs employing CSR strategically in host countries depended on their overall global strategy, i.e. 'multidomestic' MNEs ([Bartlett & Ghoshal, 2002](#)) invested strategically in CSR in host countries to a greater extent than 'globally focused' MNEs. For instance, Unilever's product development in India largely incorporated health-care problems at the base of the pyramid ([London & Hart, 2004](#)), and Samsung's strategy in Southeast Asia of catering to underprivileged people with IT services enabled it to assess and cater to the future demand of technological innovation in the host markets ([Park et al., 2015](#)).

3.2. Outcomes of MNE strategic CSR

Despite the existence of such success stories, in most cases, foreign MNEs were found to be less successful in their strategic CSR investments in host countries compared to local counterparts ([London & Hart, 2004](#), [Kolk et al., 2014](#)). Another important issue for MNEs in this context was the extent to which MNE managers at headquarters (in developed countries) could understand and empathize with the societal situations in developing countries and design CSR strategies accordingly. [Campbell et al. \(2012\)](#), for instance, found that at greater institutional and economic distances, the willingness and ability of MNEs to invest strategically in CSR was significantly reduced.

Research on the use of CSR by MNEs originating from emerging economies finds otherwise. Since these new types of MNEs face liabilities of 'origin' ([Ramachandran & Pant, 2010](#); [Stevens & Shenkar, 2012](#)) or 'emergingness' ([Zhang, 2022](#)) when investing in developed countries, their CSR reporting has been argued to reduce these liabilities ([Marano et al., 2017](#)). More recent studies show that the domestic CSR of Indian firms enables them to internationalize to a greater extent in foreign markets, especially in developed countries ([Shirodkar & Shete, 2021](#)). Prior research also notes that emerging market firms often adopt CSR and other voluntary certifications such as ISO-14001 to a greater extent when exporting or internationalizing to developed markets due to the signaling value of these in improving reputation and marketability ([Venugopal et al., 2023](#), [Arocena et al., 2023](#)). Likewise, CSR also helps emerging market multinationals (EMNEs) to improve their attractiveness in employee recruitment in developed countries ([Le & Morscett, 2023](#)). However, research also challenges whether such strategic CSR is indeed sufficient in reducing liabilities of origin for state-owned and other state-supported Chinese firms attempting to invest in politically distant markets ([Tan & Yang, 2021](#)).

Moreover, in relation to advanced economy MNEs (AMNEs) operating in emerging economies, research has also emphasized the notion of corporate social irresponsibility (CSiR) ([Strike et al., 2006](#), [Brammer et al., 2021](#), [Lange & Washburn, 2012](#)), which focuses on the stakeholder perceptions of negative externalities related to the subsidiaries of AMNEs (or their suppliers) in developing countries, following pressure in developed countries ([Surroca et al., 2013](#)). Labor-related issues, such as providing poor wages and/or working conditions, and environmental issues, like pollution, have been the most prominent of these negative externalities. In response, firms have pursued self-regulatory mechanisms such as industry-developed ethical codes of conduct, and compliance and monitoring procedures like audits or certification programs ([Lyon et al., 2018](#), [King & Lenox, 2001](#), [Christmann & Taylor, 2001](#), [Christmann & Taylor, 2006](#)). These MNE responses have been more compliance-based (despite being voluntary), without specific strategic intent or performance advantages. They emphasize that MNEs

should not exploit institutional voids, but use this opportunity to solve complex governance issues, for instance by engaging in the provision of public goods (Besley & Ghatak, 2007). Often termed “political CSR” or externally focused CSR (Scherer, 2018, Frynas & Stephens, 2015), various MNEs have engaged in CSR that provides less direct economic benefits, but can strategically provide political access and enable engagement in political discourses (Lock & Seele, 2018). Reinecke and Donaghey (2021), for instance, suggest that MNEs can use their position as lead firms in global value chains to encourage workplace dialogue and address real issues in supplier factories in developing countries. Although there are few empirical studies on this new type of CSR that suggest the new political and deliberative role of MNEs, such activities enable MNEs to gain enhanced legitimacy in developing host countries and to reduce their dependency on critical resources controlled by the government (Shirodkar et al., 2018, Bai et al., 2019, Rodgers et al., 2019).

In general, the political benefits of CSR activities, especially in emerging economies, are gaining increased prominence in the IB literature. In particular, for foreign MNEs that often lack the knowledge of how to influence host governments, CSR can be used strategically to gain political access (Liedong, 2023). Consequently, numerous studies have investigated the complementarities between CSR and political activities. However, the findings are mixed. On the one hand, investment in CSR can provide firms with reputational gains, reduce lobbying costs, and improve lobbying effectiveness (Adomako et al., 2023). On the other hand, a misalignment in firms’ lobbying and CSR positions on certain issues can create public distrust and harm company reputation (Den Hond et al., 2014), negatively impacting CPA effectiveness. This presents an important area for further research.

4. A critique of profit-centered approaches to nonmarket strategy

The foregoing review of the literature has captured several nonmarket strategy themes in international business research. Yet, the most prominent and perhaps the themes that create more cause for concern among global stakeholders revolve around the dark side of CPA and CSR (e.g., Lock & Seele, 2018). While both nonmarket strategies (CPA and strategic CSR) can be valuable, they can also create negative externalities that weaken institutional quality and socio-economic welfare in host countries. Evidence of CPA’s association with bribery (Lawton et al., 2013; Liedong, Aghanya, et al., 2023), weak corporate governance (Liedong and Rajwani, 2018), and regulatory capture (Hadani et al., 2016) highlight the corrosive and erosive effects of business-government relations in developing and developed countries. Likewise, despite the likely positive spillovers of CSR, evidence of corporate social irresponsibility is growing (Alcadipani and de Oliveira Medeiros, 2020; Murphy and Schlegelmilch, 2013; Valor et al., 2022), raising concerns about ethics and the welfare of communities and citizens, while at the same time also fueling the myriad of complexities confounding the deployment of nonmarket strategies. Consequently, these ethical and citizenship concerns have prompted a stream of research into the governance and corporate stewardship aspects of MNEs.

In sum, we suggest that much of the previous research on MNE nonmarket strategy has focused on the derivation of short term profit seeking and value capture from these strategies. For example, in relation to the antecedents of MNEs’ CPA, previous studies have placed great importance on (1) ‘home-based’ factors such as the availability of home government support (Duanmu, 2014); (2) ‘host country’ factors such as dependence on local resources (Shirodkar and Mohr, 2015) and the extent of political and policy risk (Holburn & Zelner, 2010); (3) distance factors (such as geographic and institutional distance) (Klopf & Nell, 2018); and (4) MNE-level factors such as availability of resources and credibility (Hillman & Wan, 2005). Collectively, these studies have focused on whether it makes sense to use (varieties of) CPA in host

markets to secure market and resource access crucial for subsidiary operations. Relatedly, the outcomes of CPA for MNE subsidiaries have focused on securing favorable entry (Vernon, 1981), improving subsidiary legitimacy (Banerjee and Venaik, 2018), reduced risk (De Villa et al., 2019) and first mover advantages (Frynas et al., 2006). However, when approaches to CPA are limited to securing short-term advantages, studies have shown that CPA and connections with politicians can reduce performance and render MNE subsidiaries more dependent in the long term (Sun et al., 2010; Okhmatovskiy, 2010).

Likewise, in relation to the antecedents of strategic CSR, previous studies have noted that MNEs often approach CSR in the host market in terms of the short term value it creates, particularly for their local subsidiaries. In line with this approach, strategic CSR is often viewed as a rather superficial response of MNEs to an increasing number and wider variety of global stakeholders, which increases with MNEs’ scale of internationalization (Bondy & Starkey, 2014). This is manifested in the adoption of self-regulated codes of conduct (popular in relation to labour and environmental issues), which are coercively extended to suppliers in value chains and audited by third parties (Di Ubaldo et al., 2021). MNEs also adjust their CSR in host countries as distance from the home country increases (Campbell et al., 2012). These profit-centered (or profit-based approaches) to strategic CSR are also motivated by the need to secure organizational legitimacy, subsidiary performance, a social license to operate, and reduced risk. However, as various studies note, when MNEs view CSR from a mere compliance perspective, this may result in short term success, but lead to long-term criticisms of the actions of MNEs.

5. Addressing the complexities of MNE nonmarket strategy: considering corporate stewardship

Due to the size and prominence of MNEs, particularly platform enterprises, and the growing assumption that governments may be unable to fully deal with the externalities of MNEs’ nonmarket activities, research has increasingly emphasized the role of corporate stewardship as an important remedy (Guimaraes & Liska, 1995, Hadani et al., 2015, Mohrman et al., 2017, Sama et al., 2022, Davis et al., 1997, Karns, 2011). With the concept of stewardship, MNEs are expected to think of themselves not only as economic actors bringing profits to shareholders, but also as powerful contributors of solutions to the global challenges and sustainable development issues we face (Kolk & Van Tulder, 2010, Kolk, 2016). The idea of stewardship is reflected in Sinkovics et al. (2021a) social responsibility matrix, where a small set of firms develop CSR at the advanced level (at maximum depth) and also embed responsibility in their products and services (at maximum width). Accordingly, steward firms can be argued to exhibit advanced levels of CSR to tackle the root causes of sustainable development constraints, for example by integrating renewable resources into their value chains or reducing plastic pollution with zero plastic packaging. Instead of short-term solutions like raising prices for plastics-based products and donating to NGOs working to reduce plastic pollution, such firms take long-term solutions, which may not be profitable in the short run (Sinkovics et al., 2021b).

Likewise, under environmental stewardship, for instance, firms have been found to take environmental actions based on a set of values (or principles) and consistently go beyond regulatory compliance and isomorphic pressures, making environmental responsibility a priority for long-term financial performance (Guimaraes & Liska, 1995, Bennett et al., 2018). Such firms spend a significant amount of time and effort in monitoring, researching, and fundraising, and developing leadership on environmental issues. By collaborating with environmentalists and engaging politically with the media and other lobby groups, they learn about the adverse effects of local air pollution and its effects on the ecosystem, which then allows them to play an effective role in policy-making (Lerner & Carr, 1994).

Relatedly, marketing literature has suggested that for firms to

develop a stewardship culture, they should incorporate social responsibility at every step of the product development and marketing process, including research and development, commercialization, branding, and advertising, rather than thinking of social responsibility as an afterthought (Blumenthal & Bergstrom, 2003). Beyond such macro (firm-level) issues, a lot of research on stewardship theory has also focused at the managerial (micro) level. In this line of research, stewards are senior managers, such as CEOs, or directors, with certain psychological traits, who focus on the collective and long-term good of the organization, rather than being self-serving or focusing on personal and short-term rewards (Davis et al., 1997). Stewards (in the environmental management context) are often intrinsically motivated by their underlying ethics, morals, values, beliefs, and altruistic concerns for future generations, and by extrinsic factors such as the rewards and social recognition of their actions. Stewards may also have religious drivers and the belief that all resources used in economic activity are coming from God, and therefore these resources must be used responsibly (Bennett et al., 2018, Dumay et al., 2019).

Business ethics literature also relates stewardship to ethical leadership, providing some stewardship characteristics that leaders could have, such as ethical focus, long-term thinking, virtuous, trustable, principled, self-actualizing, and truthful (Caldwell et al., 2008). In a similar way, Sama et al. (2022) have come up with seven virtuous steward traits that are, first, favoring the neediest among stakeholders; second, considering the natural environment as a stakeholder; third, prioritizing societal and spiritual good over material good; fourth, fairly allocating limited sets of resources, distributing goods equally or equitably, depending on which distribution rule fully considers the benefit to the marginalized; fifth, correcting for situations of unfairness in the workplace and beyond; sixth, exercising a long-term view; and seventh, vigilantly scanning the external environment.

6. Overview of special issue papers

In this section, we summarize the key aspects of each paper in relation to the nonmarket environment factors and MNE nonmarket strategies. Thereafter, we attempt to link these key insights with corporate stewardship literature.

The first paper in the special issue “Multinational enterprises’ nonmarket strategies: Insights from history” (Bucheli & DeBerge, 2023) discusses several critical issues related to MNE strategies for combating economic nationalism, exploiting host country hostility, gaining support from home countries when operating in foreign markets, the liabilities of political ties, engaging in international diplomacy, and responding to boycotts. Based on a review of 45 historical articles, the authors provide important insights into how MNEs have historically responded to the contemporary nonmarket issues facing MNEs in more recent times. Some of the examples include: (1) The response by American multinationals (such as General Motors and General Electric) to the Mexican revolution (1910–1938) by aligning with Mexico’s nationalistic ideals (e.g., by prominently displaying ‘Made in Mexico’ tags); (2) The entry of German MNEs into the Indian market during the 1920 s by taking advantage of the hostility towards British products as part of the Indian independence movement; (3) The use of “cloaking” as a nonmarket strategy to hide behind complex organizational structures as a response to reduce home-host country conflict, e.g., as used by German MNEs such as Beiersdorf during World War I; (4) The gaining of support from its home (U.S.) government by United Fruit Company in 1954 to support its operations in Guatemala, when the Guatemalan government had begun expropriating land used by the company and distributing to local peasants; (5) How U.S. MNEs’ political ties in Chile turned into liabilities during the transition of Chile from an oligarchy to a multi-party democratic state between 1920–1970; (6) The use of ‘diplomacy’ by British oil companies (such as Jersey) in the 1910 s in settling a dispute between the U.S. and Columbia, and by U.S. company Kaiser Industries to facilitate the provision of loans by the U.S. government to newly

independent Ghana in 1957 to support the development of the Volta River dam; and (7) How some companies (such as Shell) responded to global activists’ demand for divesting from South Africa during the 1980 s to pressure the South African government to dismantle apartheid, by legitimizing their operations as an organization which promoted racial equality.

The second paper “The demands of populism on business: Introducing corporate political obligations” (Hartwell & Devinney, 2022), first introduces the *varieties of populism* (classified into: anti-business and pro-business types), and the impact of these types of populism on business. In pro-business populist regimes such as China, Hungary, India, and Italy, the authors argue that restrictions on trade and investment may be either internal or external or within certain industry sectors. However, the regimes tend to be generally less restrictive on trade and investment. On the other hand, in anti-business populist regimes such as Argentina, Bolivia, and Zimbabwe, there may be greater levels of nationalism with high levels of restriction on both foreign investment and trade. The authors then argue that CPA in populist regimes may be difficult to achieve, as CPA may be seen as interventionist to such regimes’ ideals. As such, firms via their CPAs may be expected to show support for the ruling elite (or the leader and their political party) instead of political institutions. Such expectations lead to the notion of corporate political obligations (CPO), where political actions need to be more responsibly used, especially by foreign MNEs, to gain organizational legitimacy under populist regimes by focusing on society and other external stakeholders, rather than the consumer. Furthermore, the authors also evaluate the pros and cons of different business reactions to CPO, including: (1) ‘cultivating political connections’, which despite their benefits may be costly and uncertain in populist regimes; (2) ‘outdoing the government’, where firms may exceed government expectations through their nonmarket actions – this can, on the one hand, increase political capital but on the other hand may alienate certain customers; (3) ‘hiding away’ by reducing visibility and engagement in CPA, which makes it hard to attack the firm, but may subsequently lead to more onerous responsibility for the firm; (4) ‘refocusing on core business’, by focusing on consumer or employee-centric CSR; (5) ‘fighting back’ – by organizing CPA against the regime’s ideals – which although it might be a risky strategy in the short run, may prove useful if the regime is expected to be removed from power; and (6) ‘leaving’ (or exiting / divesting from) the country, which might end the firm’s exposure to the regime, but may be dramatically costly. Overall, the paper provides insights into how populist regimes may demand specific obligations from firms and how firms may respond via CPO, rather than CPA in these regimes.

The third paper “Nonmarket strategy and legitimacy in institutionally voided environments: The case of Jumia, an African e-commerce giant” focuses on how nonmarket strategy can be used in an institutionally voided environment to build legitimacy around a new e-commerce business model (Peprah et al., 2023). The study shows that institutional voids in African emerging markets come from three main areas: first, infrastructural voids (related to transportation, telecommunication, energy supply and payment systems); second, regulatory voids (related to ambiguous legal systems and security challenges); and third, cognitive cultural voids (related to lack of trust in e-commerce legalities). It is important to note that many African countries are characterized by a large occurrence of internet fraud, due to which public trust in online transactions is low. Jumia uses both CPA and CSR to strategically fill these institutional voids. This is done through first, *validation* strategies, i.e., engaging with public and media groups to develop public confidence in home-grown e-commerce companies; second, *consolidation* strategies, i.e., lobbying, and sponsoring politicians to engage government in developing e-commerce related policies and to secure contracts and licenses; and third, *diffusion* strategies, i.e., philanthropic and ethical activities to build trust and to respect consumer rights and legal frameworks. Overall, by using the case study of Jumia, the paper attempts to open the black box of how MNEs can build

legitimacy in institutionally voided countries via nonmarket strategies. These strategies also enable Jumia to compete with notable foreign firms such as Amazon.com, who enjoy greater public trust in their e-commerce business model. In general, there are few qualitative empirical studies on how nonmarket strategy can be deployed in emerging markets, and how firms can engage with the government. Theoretically, the paper contributes to institutional theory (Scott, 2013) by showing that infrastructural voids form an important institutional pillar in emerging economies, which MNEs can fill through CPA and CSR initiatives.

Finally, the paper “Investor State Dispute Settlement (ISDS), social license to operate and anti-globalization movements: An analysis of controversial cases” (Curran, 2023) explores the role of ISDS as a legalistic form of CPA whereby the MNE uses legal mechanisms to dispute or challenge a government policy in the context of international trade. The paper (rightly) argues that CPA literature has rarely accounted for the financial and social impact of such legalistic political strategies used by MNEs, who must often challenge the legitimacy of government regulations. Specifically, the paper focuses on the potential negative social impact and the subsequent loss of ‘social license to operate’ of the legalistic strategy by examining 19 cases of ISDS. The paper identifies four themes where MNEs’ ISDS led to negative social impacts: (1) lack of concern for socio-environmental issues; (2) inadequate community engagement; (3) unfairness of (ISDS) procedures; and (4) unfairness of distributional effects. In one case for instance, Philip Morris, the U.S.-based global tobacco company, took legal action against the government of Uruguay and their decision to demand that tobacco companies reduce the number of brands and cover 80% of the packaging with health warnings. The case led to several years of deliberation not only in Uruguay but also in other Latin American countries, which financially benefited Philip Morris but reputationally jeopardized the company because these countries had high rates of smoking-related deaths. In another case, Kingsgate, an Australian gold mining company, filed a case against the government of Thailand for indirect expropriation of its Chatree gold mine by not renewing its license and ordering it to close the mine in 2017. Thailand claimed that the mine caused various environmental impacts including toxic leakages in water and high levels of heavy metals in blood. The mine was re-opened in 2021 after much criticism by the local community and compensation paid to some workers. In summation, the study emphasizes that future

research can account for this relatively understudied form of CPA by MNEs, emphasizing that the primary focus has been on informational lobbying, financial incentive and constituency building political strategies. In many host country contexts where the legitimacy of certain types of CPA (as used in the U.S.) may be lacking, the use of such legalistic mechanisms may provide important insights. Summaries of all four papers are shown in Table 1.

All four papers appear to converge around the dominant theme of corporate stewardship but under two sub-themes namely pro-stewardship and anti-stewardship. For the former, the firms play important roles in creating or preserving conditions for broad-based welfare. They use their nonmarket strategies to resolve problems or manage stakeholder relations and outcomes. For instance, Bucheli and DeBerge (2023) highlight the diplomatic roles of MNEs in conflict resolution and racial equality. Similarly, Peprah et al. (2023) explore how nonmarket strategy is used to align firm and stakeholder expectations to gain legitimacy, as well as how it is used to fill institutional voids for leveraging e-commerce to improve consumer welfare and convenience. In both studies, the MNEs are instrumental in addressing challenges that go beyond profitability.

For the latter, the firms exhibit anti-stewardship behavior by using their nonmarket strategies to pursue profitability without regard to the welfare of broader stakeholder groups. For instance, Hartwell and Devinney (2022) discuss how firms may use their CPA to support ruling elites and political parties in populist and ‘anti-business’ countries. While this positions the firm for political legitimacy from the elites, it could mean the firm caters to only one powerful stakeholder – the government – and therefore could be failing other stakeholders whose interests it should promote or protect. A worse anti-stewardship behavior is captured by Curran (2023) who shows that MNEs deploy legalistic strategies to challenge government policy and regulation, with attendant negative socio-economic effects for communities and countries.

Anti-stewardship behavior among MNEs is bad, but not surprising. The challenge of corporate stewardship is that while it is theoretically important, it is practically challenging to implement these practices. For instance, it is questionable whether and how firms in industries such as tobacco, alcohol, mining, and other “sin sectors”, as well as those with multiple brands and product ranges – such as auto manufacturers that

Table 1
Summary of papers in this special issue.

Author (s)	Main Aim	Theoretical Lens & Perspective	Methodological Approach & Context	Main Finding/Argument	Stewardship Implication
Bucheli & DeBerge	Develop a perspective that provides insights from business history to the MNE nonmarket strategy literature	Business history	Perspective; Global	Historical cases exist to demonstrate how MNEs use nonmarket strategy to respond to host country ideologies, conditions, and behavior, some of which is dark.	MNEs can use pro-social and pro-political strategies to address macro complexities in host countries.
Hartwell & Devinney	Explore the demands and obligations imposed on firms by populist political regimes	Concept of corporate political obligations	Perspective; Global	Through corporate political obligations, firms adjust and alter their operations to satisfy the aspirations and needs of populist governments.	Supporting government agendas is not always necessarily positive for other stakeholders beyond the firm and the government.
Peprah, Atarah & Kumodzie-Dussey	Investigate how NMS facilitates the legitimization process of MNEs operating in countries with institutional voids	Institutional theory and legitimacy	Case study; Nigeria & Ghana	Institutional voids created legitimacy challenges for Jumia’s business model and operations, which the firm addressed using CSR & CPA to obtain cognitive, regulative, and normative legitimacies.	MNEs that conceive the filling of institutional voids as an outcome or objective of their nonmarket strategy can gain legitimacy to succeed while also contributing to host country development.
Curran	Analyze how the challenging of regulation by multinational enterprises through the investor-state dispute settlement (ISDS) process impacts their social license to operate (SLO)	Social license to operate	Case studies; Global	MNEs that challenge government policy and regulation lose the trust of local stakeholders, culminating in the loss of their social license to operate.	Deploying legalistic CPA without regard to environmental impacts, community engagement, and distributional and procedural fairness has negative consequences for countries, communities, and MNEs.

produce cars powered both by internal combustion engines and electricity - can take a stewardship approach, as such an approach would be seen as hypocritical by stakeholders such as NGOs (Polonsky & Jevons, 2009). When plagued by conflicting logics or competing demands, firms' tendency to override their sense of duty to their internal and external stakeholders becomes heightened. Additionally, the application of corporate stewardship in CPA mainly views lobbying as a strategy for firms to be strategically sensitive to their political environments while influencing public policy to increase shareholder value (Cao et al., 2018). As such, the sense of duty of the firm is towards internal stakeholders, specifically shareholders. Yet, it is this myopic attention to profitability without regard to the wider externalities that has raised the most disturbing ethical questions about CPA (Liedong, 2021; Oberman, 2004).

More importantly, corporate stewardship is based on the intrinsic motivation of managers to drive pro-social and pro-public corporate behavior that promotes human welfare whereby firms honor their duties to their stakeholders in their pursuit of long-term growth (Caldwell et al., 2008; Karns, 2011). This dependence on the agency of a manager leaves the concept and its practice exposed to the whims and caprices of business leaders who may lack the intrinsic motivation to always be stewards. As Jevons (1994: 113) noted, "the responsibilities of stewardship may be abused or neglected". In other words, in a world that confronts MNEs with complex challenges, stewardship could be an unrealistic goal or, at best, an aspiration that needs practical grounding.

7. Moving towards a values-based nonmarket strategy approach

Drawing on insights from the special issue articles and our review of prior literature on nonmarket strategy (CPA and strategic CSR), we are aware of the contested evidence on the outcomes of nonmarket strategy. Thus, based on our evaluation of the profit-centered approaches to nonmarket strategy (in Section 4) and considering the pros and cons of corporate stewardship (described in Sections 5 and 6), we first emphasize moving to a 'values-based' approach to nonmarket strategy. A handful of previous studies have already emphasized the need for firms to adopt a values-based nonmarket approach (Baron, 1995, Bach & Allen, 2010), whereby managers must engage in CPA in a responsible manner, and must use CPA to achieve both societal and organizational goals. There is notable evidence in the literature that when MNEs use CPA to gain short-term benefits, or when MNE managers use CPA to pursue self-serving interests (e.g. to gain political positions), it leads to both negative implications on society as well as on organizational performance (Cao et al., 2018; Shirodkar et al., 2022). We propose that the short-term motivations behind nonmarket strategy are prone to adverse consequences in an era marked by anti-global and populist sentiments. Curran and Eckhardt (2020) suggest that in these contexts firms need to work both individually and collectively (e.g., via trade associations) and also undertake responsible actions to voice their concerns to government. For instance, in our special issue, Hartwell and Devinney (2022) also note that in populist regimes, while on the one hand, it becomes obligatory for firms to align with the ideals of such regimes, on the other hand, such obligations may result in wider negative reputation in the long term. In a similar vein, Curran (2023) also demonstrates from cases where MNEs used litigation (using the legal process) as a CPA in host countries, and although some won the cases against the host government, they lost their reputation and social license to operate, especially when they disregarded social and environmental concerns.

The role of corporate values has also been previously described in literatures on corporate citizenship (Hemphill, 1999, Hemphill & White, 2018) as well as political CSR (Scherer, 2018; Scherer & Palazzo, 2011). Likewise, the stewardship approach described in the previous section, as well as CSR studies about 'shared value' have also emphasized the importance of corporate and managerial values. Overall, the values-based approach entails the identification, analysis, and response to the social, political, and economic responsibilities of a company as

delineated by legal requirements, public policy, stakeholder expectations, and voluntary initiatives aligned with corporate values and business strategies (Hemphill & White, 2018). Yet previous studies, theoretically and empirically, have so far paid limited attention to the values-based approach in the nonmarket strategy context, especially in international business. In Table 2, we present the antecedents and outcomes of adopting a values-based approach relative to a profit-centered approach in IB nonmarket strategy as discussed in Section 4.

We argue that the values-based approach to CPA and CSR provides a more critical approach to the previous emphasis of nonmarket strategy, which has largely focused on creating and capturing value. It highlights the need for managers to engage in nonmarket strategy out of genuine concern for the issues in the nonmarket context as relevant to their firm. It also emphasizes a greater recognition of the economic and social impacts of nonmarket strategy and suggests that the effect of nonmarket strategy should be observed in the long run, and mediated through a positive social and environmental impact, leading to improved organizational legitimacy and reputation. In line with this, we suggest that MNEs should pursue CPA not only to respond to institutional voids in or complexities of the host market but also to address these by co-creating regulation where necessary. For instance, Peprah et al. (2023) in our special issue find that Jumia was successful in doing so in Africa where regulations on e-commerce were underdeveloped. Jumia's nonmarket strategy helped not only to fill these voids but also to gain improved

Table 2

Nonmarket strategy based on value versus values.

	Profit-centered	Values-based
Antecedents of CPA	<ul style="list-style-type: none"> MNE level factors (availability of resources, credibility, visibility, industry regulation) Home government support Host country factors (dependency on host resources, political risk) Distance factors (institutional and geographic) 	<ul style="list-style-type: none"> MNE level factors (increased power, technological prowess, industry context) Managerial factors (ethical leadership, stewardship orientation) Host country institutional voids and complexities Home country factors (quality of institutions, culture) Pressure to resolve global challenges (e.g., UN SDGs)
Outcomes of CPA	<ul style="list-style-type: none"> Favorable entry in host markets Improved subsidiary performance Improved subsidiary legitimacy Reduced host-country political and institutional risk First-mover advantages in foreign markets 	<ul style="list-style-type: none"> Improved subsidiary legitimacy Reputation Reduced institutional voids in host country (especially in emerging markets) Long-term performance benefits
Antecedents of strategic CSR	<ul style="list-style-type: none"> MNE level factors (firm size, global strategic orientation, availability of resources) Home country factors (strong ecological imprint) Exposure to global stakeholders (particularly suppliers, customers, and NGOs) Levels of internationalization Distance factors 	<ul style="list-style-type: none"> MNE level factors (organizational culture focused on ethics and responsibility) Managerial factors (genuine concerns for sustainability) Home country factors (quality of institutions, national culture)
Outcomes of strategic CSR	<ul style="list-style-type: none"> Improved financial performance Social license to operate Improved subsidiary legitimacy Reduced host-country political and institutional risk Improved reputation 	<ul style="list-style-type: none"> Improved governance Positive impact on society Improved subsidiary legitimacy Reduced host-country political and institutional risk Improved reputation

legitimacy in the long run. However, such an effort would also require business managers and leaders involved in CPA to be ethically oriented and genuinely concerned about both societal and organizational goals. Likewise, in terms of strategic CSR, we suggest that MNEs need to move beyond the instrumental (business-case) view of gaining short-term performance advantages from their CSR, to engaging more actively in policy discourses where institutions are fragile (Reinecke and Donaghey, 2020). Literature on political CSR (Scherer & Palazzo, 2011) provides such a view but there is less research on whether this new type of CSR is indeed driven by values and helps in gaining long-term advantages (Frynas & Stephens, 2015). The next section will map the intellectual terrain from the selected special issue articles to develop a forward-looking research agenda.

8. Discussion and avenues for future research

Building on these important special issue articles and previous reviews (Sun et al., 2021), we know that MNE subsidiaries have to deal with issues of dual legitimacy when lobbying host governments. They must adapt to institutional idiosyncrasies specific to the host country, while also aligning host lobbying with internal MNE policies (Hillman & Wan, 2005) and with home-institutional structures (Shirodkar et al., 2017). Moreover, political differences between home and host countries must also be taken into account when engaging in nonmarket strategy, especially, to support market activities such as cross-border acquisitions (Liou et al., 2021). Thus, MNEs are faced with, often conflicting, demands from institutions (often supranational in nature) to contribute to global development agendas such as the UN Sustainable Development Goals (SDGs), as well as other multilateral and bilateral agreements (Di Ubaldo et al., 2022). Subsequently, coupled with increasing populism and geopolitical uncertainty, MNEs may have to carefully craft their nonmarket strategies to suit new institutional conditions (White et al., 2021). For instance, a recent review of corporate political connections (Wei et al., 2023) shows that firms may be able to leverage these connections not only for their own benefit but also for societal benefit such as limiting layoffs or facilitating job creation. However, political connections may also lead firms to comply less with certain regulations, for instance, regarding safety or the environment, and lead to negative externalities such as fatalities and pollution. Indeed, as discussed previously, given the complexities of the institutional environment facing MNEs, there needs to be a greater governance focus in the use of nonmarket strategy, especially CPA (Hadani, 2012). Overall, based on our review and ideas on values-based nonmarket strategies, we find three research themes that can be taken to advance the research on MNEs' nonmarket strategies.

8.1. Geopolitical risk and nonmarket strategy

While there has been a lot of research on how political risk can be managed or mitigated via nonmarket strategy, there is less research on geopolitical risk in this context. The concept of geopolitical risk extends the concept of political risk, which has primarily focused on country-specific risks (such as stability, corruption, and other institutional issues), to international relations (inter-country) related risks. Due to new measures available to account for geopolitical risk (Caldara & Iacoviello, 2022), there is a great scope for quantitative researchers in particular, to explain how this risk can be managed via both market and nonmarket strategies. This is even more important in the context of anti-global and anti-business sentiments which may be evident in some populist regimes (Hartwell & Devinney, 2022, Bennett et al., 2023). Some important areas for geopolitical risk stem particularly from the decoupling of important countries like the U.S. and China, the Russia-NATO conflict, and how firms from either side can reduce the negative implications of such a decoupling via their nonmarket strategy (Ren & Gao, 2023). An important aspect for MNEs in this context would be to deal with the media in shaping their legitimacy in hostile host markets (Zhang et al.,

2023). Based on the case of Huawei in Sweden, Fjellström et al. (2023) suggest that Huawei's CSR activities engendered it with greater legitimacy and survival opportunities than its political activities (meetings with Swedish ministers). Tung et al. (2023) suggest that there is an emerging "tech cold war" between the U.S. and China predicated on achieving supremacy over technologies related to national security as well as human development, and how MNEs align their nonmarket strategy in this context is an important question. In their study based on the semiconductor industry, Gao et al. (2023), for instance, suggests that MNEs may be able to deal with these tensions via decentralizing their manufacturing locations. Our values-based nonmarket strategy approach can provide important directions in this regard, in that, MNEs with good governance in their nonmarket strategy may be better able to reduce the impact of political animosities between countries. Within our special issue, Bucheli and DeBerge (2023) shed insights on this issue from historical perspectives. However, future research can attempt to address important unanswered questions such as: To what extent does geopolitical risk impact MNEs' operations and how can nonmarket strategies mitigate this risk? How do MNEs' nonmarket strategies incite, motivate, or cause anti-globalization protests? What nonmarket strategies do multinationals use to appease anti-globalization protesters? Does it make business sense for multinationals to engage with countries with different interests and political affinities? What are the possibilities and limits of corporate responsibility, corporate power, authority, and legitimacy in an era of anti-globalization?

8.2. Ethical Issues and Nonmarket Strategy

Prior research on the interrelationships between ethical issues and nonmarket strategy largely focused on CSR, and limited attention has been paid to the ethicality of CPA. Indeed, prior research has debated whether CPA itself should be considered ethical at all, given that firms act in their self-interest when engaging in CPA (Hamilton & Hoch, 1997). Yet, CPA tactics which involve the transfer of information between firms and politicians, as well as the use of political ties and connections, have gained widespread legitimacy in the international context (Banerjee & Venaik, 2018b, Jia, 2018, de los Reyes & Scholz, 2023). It is also noted that the transparency of political expenditures is often related to the ethicality of political actions by companies. Increasingly, however, studies have noted the use of ethically suspect CPA by MNEs in many countries, especially those with institutional voids (Liedong, 2021, Liedong et al., 2020a). Overall, research on MNEs' CPA suffers from the availability of data (especially secondary data) which tends to be based on lobbying expenditures in the U.S. and EU contexts. Such data often assume that MNEs only engage in CPA through ethical informational tactics, which is not the case everywhere. Relatedly, several studies have noted the relationships between transparency, corruption, and CPA (Galang, 2012, Rodriguez et al., 2006b).

Furthermore, within the frame of ethics, it is important to highlight a disturbing tendency for the alignment of MNEs' nonmarket activities with government agendas as always falling within our values-based nonmarket strategy approach. Afterall, the belief that CSR which feeds into governments' development programs is more stewardship-oriented, ethical, and effective, is deeply rooted in the literature (Liedong, Aghanya and Rajwani et al., 2020). Yet, supporting government priorities might not be the right thing to do for other stakeholders in a host country, especially when the government is authoritarian, repressive, and populist. As Hartwell and Devinney (2022) argue, corporate political responsibility in populist regimes collapses stakeholders to one – the populist regime – while ignoring the interests and concerns of others in the country. This raises the question of whether satisfying a host country's government creates negative externalities and requires a broader consideration of stakeholders in values-based nonmarket strategy. Similarly, Peprah et al. (2023) found that a nonmarket strategy that fills voids can confer legitimacy on MNEs. Yet, this raises the question of whether the MNE's business is good for the host country. A precedent to

this question is evidence of how so-called “sin industries” deploy manipulative nonmarket strategies to gain acceptance, even when the products and offerings are not beneficial to health or wellbeing (e.g., Fooks et al., 2013).

Moreover, our values-based approach is firm-based, but it is underpinned by the agency of managers and business leaders who exude intrinsic motivation to chart their firms towards the assumption of responsibility for sustainability, development, and co-growth of business and socio-political welfare in host countries (Caldwell et al., 2008). Yet, none of the papers in our special issue examines micro issues related to managers’ values or meso issues related to corporate values. The core values of a firm can shape its engagements with stakeholders, including political and social actors (Tourky et al., 2020). In the same vein, entrepreneurship between corporate values and managers’ values, in the form of a micro-macro link, can inform corporate nonmarket activity (Hemingway and MacLagan, 2004). It would thus be insightful if future research could address the following important questions: How do managers’ personal values affect ethical nonmarket strategy? What are the antecedents of ethical nonmarket strategy? How is fake news or information created or utilized by companies for nonmarket strategy? How can increased political risk in Europe, North and South America, Africa, the Middle East, or Asia Pacific lead to unethical nonmarket practices? What types of political strategies lead to unethical practices? What factors lead firms to pursue unethical nonmarket strategies in host countries? What are the institutional-, industry-, firm-, and managerial-level antecedents of unethical nonmarket strategy? Under what conditions is corporate support for government agenda unethical? How do multinationals manage reputation and legitimacy following irresponsible nonmarket strategy?

8.3. Institutions and nonmarket strategy

While institutions have been the primary focus in studies on MNEs’ nonmarket strategy, most of this research has focused on how MNEs deploy nonmarket strategy to suit the surrounding institutional conditions. For instance, political connections and less ethical forms of CPA are more likely to be used in corrupt and weak institutional settings, whereas informational lobbying is more likely to be used in institutionally developed settings (Campos & Giovannoni, 2007). Yet, there is less research on how complex aspects of institutions might affect MNE nonmarket strategy. For instance, the speed and scope of institutional change, especially in emerging markets, is the increasing focus of research in international business, beyond institutional voids (Fuentelsaz et al., 2022, Roland, 2004, Shi et al., 2017); and how firms might respond to these complex institutional issues via nonmarket strategy remains an important question (Shirodkar et al., 2023). Likewise, there is increasing, yet less research on how MNEs from emerging economies can reduce their liabilities of origin or emergingness via their nonmarket strategies (especially, CPA) in developed countries and in host countries where stakeholders with substantially different political ideologies exist. Recent studies, including one in our special issue (Peprah et al., 2023), show that MNEs do not just adapt to, but also contribute to filling institutional voids, and can become active players in changing institutional conditions (Koch, 2022, Rana & Sørensen, 2021, Liedong et al., 2020b, Doh et al., 2017). Thus, future research can address the following important questions: how do MNEs use nonmarket strategies in ethnocentric and authoritarian contexts? What MNE nonmarket strategies are used in authoritarian contexts, such as absolute monarchies? Indeed, we have seen a few studies that have largely focused on Indonesia (Dieleman & Boddeyn, 2012, Dieleman & Sachs, 2008), but more nonmarket research is needed in South America, Southeast Asia, the Middle East, and African contexts.

9. Conclusion

MNEs today face increasingly complex political and social issues,

especially as they operate in a multitude of institutional environments. The concept of nonmarket strategy has received considerable attention, particularly following the financial crisis, in terms of how MNEs can deal with changing political and social environments in both home and host countries and considering institutional, economic, and geographical distances between home and host markets. However, more recently, anti-global and populist sentiments coupled with sustainability pressures have increased, which make the management of the nonmarket environment increasingly complex. At the same time, there is less regulation in the high tech sectors which increases the power of MNEs and requires them to self-regulate or co-create regulations by working with government. All this requires MNEs to increasingly adapt their nonmarket approach. The traditional forms of nonmarket strategy – CPA and strategic CSR – largely focus on short term advantages (or immediate value capture), and literature shows that these motivations do not lead to the intended outcomes in the long run, and may also lead to public distrust and loss of reputation. Other approaches such as corporate stewardship appear promising but may only be achievable for a smaller set of firms.

In line with this, our special issue aimed to attract cutting-edge research that sheds light on both the positive and negative, bright and dark sides of nonmarket strategy in the context of anti-globalization movements, populist sentiments, institutional voids, and trade policy settings. Our review of the literature and the special issue articles collectively show how a values-based nonmarket strategy research agenda will be important to unpack the good, bad, and ugly aspects of MNE activities. Our values-based approach suggests that MNEs can broadly benefit by aligning core values with nonmarket strategy to balance organizational and societal benefit. As such, it provides a more critical view of the current focus in nonmarket strategy, and advocates for a greater integration between institutional environments, MNE strategy, and good governance frameworks. Thus, we hope that future research will extend the insights of all our special issue articles to deepen their contributions and enhance our future understanding of MNEs in an ever more complex world.

Data availability

No data was used for the research described in the article.

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