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Bimodal Lobbying and Trade Policy Outcomes:

Evidence from corporate political activity under uncertainty in India

Dr Amrita Saha

Institute of Development Studies

Library Road, Brighton BN1 9RE (U.K.)

T: +44 (0)1273 915757 | **E:** A.Saha@ids.ac.uk

Dr Vikrant Shirodkar

University of Sussex Business School

Jubilee Building, Falmer, Brighton BN1 9SN (U.K.)

T: +44 (0)1273 872798 | **E:** V.Shirodkar@sussex.ac.uk

Professor Thomas C. Lawton *

Cork University Business School, University College Cork

Cork T12 K8AF (Ireland)

T: +353 21 490 3695 | **E:** thomas.lawton@ucc.ie

and

Department of Strategy and International Business

Surrey Business School, University of Surrey

Guildford, Surrey, GU2 7XH (U.K.)

T: +44 (0) 1483 686 300 | **E:** thomas.lawton@surrey.ac.uk

* Corresponding author

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Abstract

We lack insight into how firms reduce uncertainty by engaging with trade policy through corporate political activity (CPA), particularly in emerging economies. In this paper, we argue that CPA, as an instrument of nonmarket strategy, is more effective in achieving trade policy outcomes that reduce corporate uncertainty when firms pursue a bimodal approach, lobbying both collectively and individually. Collective actors such as trade associations gain influence through industry legitimacy and expertise, and can enable individual corporate lobbying to benefit from enhanced political capabilities in terms of information gathering, developing legitimacy, and aligning divergent interests. We also find that the bimodal approach is more effective for exporting firms, and when there is government support for an industry. Our empirical analysis is based on survey data of 146 Indian firms, in the context of a changing socio-political era. We contribute to the literature by highlighting the complementarity between collective and private political lobbying in reducing trade policy uncertainty. Overall, we contribute to research on CPA and nonmarket strategy, particularly in the context of emerging economy trade policy.

Keywords

Corporate Political Activity; Lobbying; Emerging Economies; India; Trade Policy

INTRODUCTION

The trade policy environment can be a source of uncertainty, particularly for exporting firms and for multinational enterprises (MNEs) operating or engaging in global supply chains. Populist movements favoring trade protectionism have proliferated and have fomented uncertainty around tariff and non-tariff barriers in the global trading system (Devinney & Hartwell, 2020, Hoekman & Nelson, 2018). As trade policy is a salient issue, with ongoing debates between firms favoring protectionism and those favoring freer trade, the current context calls for further research on how firms can organize their interests to reduce uncertainty.

Corporate political activity (CPA), defined as corporate attempts to influence public policy in ways favorable to the firm (Hillman & Hitt, 1999, Lawton, McGuire, & Rajwani, 2013), assumes even greater prominence during times of global turbulence and policy uncertainty (Hadani, Dahan, & Doh, 2015, Hillman & Hitt, 1999, Lord, 2000). Lobbying is an important instrument of CPA (Campos & Giovannoni, 2007, Choi, Jia, & Lu, 2015, Coen, 1998, Hillman, Keim, & Schuler, 2004), and includes the exchange of information, as the key medium, between firms and policymakers. However, whether lobbying serves as an effective tool in reducing trade policy uncertainty is less researched. Furthermore, prior studies have presented mixed evidence and a range of conditional factors at firm, industry, and institutional-levels on the outcomes and benefits of CPA (see, for example, reviews by Hadani, Bonardi, & Dahan, 2017, Mellahi, Frynas, Sun, & Siegel, 2016).

In our paper, we first suggest that past research on CPA has largely focused on the firms' private, or unilateral, interactions and connections with policymakers (Okhmatovskiy, 2010, Ridge, Ingram, & Hill, 2017, White, Fainshmidt, & Rajwani, 2018, Yim, Lu, & Choi, 2017). However, such individual business-government linkages may prove to be less effective during uncertain trade policy times, as new policies favoring either protectionism or

liberalization would impact a large number of firms (Curran & Eckhardt, 2020, De Villa, Rajwani, Lawton, & Mellahi, 2019, Dieleman & Widjaja, 2019). Yet, only a few studies have, so far, focused on the question of whether collective action (Olson, 1965) can be complementary to individual, or private, CPA (Jia, 2014, Ozer & Lee, 2009). Collective actors such as trade associations engage actively in the nonmarket environment to help member firms defend and promote industry reputation, attain socially desirable goals, and influence regulatory outcomes (Astley & Fombrun, 1983, Hansen, Mitchell, & Drope, 2004, Olson, 1965). The political economy literature has engaged with the role of collective action in the trade policy context (Gilligan, 1997). In fact, in the context of anti-globalization movements, firms are likely to benefit from the creation of transnational lobby groups and by working collectively to voice their interests (Curran & Eckhardt, 2020). But the effectiveness of collective action is debated and disputed. On the one hand, collective action creates scope for integrating knowledge and networks from a wide range of actors, and such knowledge can be bundled with a firm's individual political capital to potentially enhance the effectiveness of private lobbying (Jia, 2014). On the other hand, the involvement of a larger number of actors via collective action creates more challenges and interests, and often delays the policymaking process (Bodenstein, Faust, & Furness, 2017).

The prominence of collective actors has grown due to the rise of a socially conscious business culture and the increasingly complex nature of political and regulatory environments, not only in the European Union and in the United States (Coen, 2007, Coen, 1998, Grant, Matthews, & Newell, 2000), but also in emerging economies such as India and China (Agrawal & Ostrom, 2001, Fu, 2017, Jia, 2014, Kochanek, 1996). As their number and influence continues to grow, collective actions become more significant to member firms, public policymakers, management scholars and society at large (Streeck, Grote, Schneider, & Visser, 2006). Although not the only group of collective actors that scholars need to understand,

research has recognized trade associations as one of the main constituents of collective action and the primary form of industry-wide collaboration (Astley & Fombrun, 1983). Collective actions via trade association membership can exert influence on policymakers and regulators, thereby promoting the collective goods of members, obtaining economic advantages for firms, enhancing industry image and reputation, and helping to reduce legislative or competitive uncertainty (Oliver, 1990). It can further shape regulation and facilitate competitiveness, whilst also mitigating negative social consequences of firms' strategic decisions through self-regulation (King & Lenox, 2000, Prakash & Potoski, 2007, Winn, MacDonald, & Zietsma, 2008). We therefore suggest that it is important to investigate whether working both collectively and privately (what we call a *bimodal lobbying strategy*) can help firms to minimize risk in an uncertain policy environment.

Focusing on the trade policy context, we also suggest that some important variables can work as moderators on the effectiveness of the bimodal strategy in reducing trade policy uncertainty. An important firm-level variable in this regard is whether firms export or have a domestic market focus. Exporting firms perceive greater risks from changes to trade policies than domestically focused firms. Also, exporting firms are resource-rich (in a similar vein to large firms, more generally) due to their experience of selling products or services to foreign countries, being closer to the technological frontier, and consequent exposure to wider networks and knowledge (Morgan, Vorhies, & Schlegelmilch, 2006). Exporting firms also typically enjoy greater brand image and reputation in the domestic policy context, and this may facilitate greater access to government (Hillman, Keim, & Schuler, 2004). The effectiveness of a bimodal lobbying strategy could therefore have differential applications and outcomes for export-oriented firms. Another important variable that can enrich the benefits of bimodal lobbying is the extent of government support to an industry. The interplay between lobbying and government support has also been discussed widely (Blau, Brough, & Thomas, 2013, Han,

Liu, Xia, & Gao, 2018, White, Fainshmidt, & Rajwani, 2018). Some industries gain exclusive support from government due to their perceived strategic importance to a country, especially during periods of populist ascendancy. In such industries, the government plays an active role in enhancing industry competitiveness by working with trade associations and large firms. This government support to an industry can supplement firms' political resources (Hadani, Bonardi, & Dahan, 2017) and can potentially render bimodal lobbying strategy more effective in achieving favorable policy outcomes.

Our paper contributes by building on the work of Jia (2014), Hansen *et al*. (2004), Ozer and Lee (2009) and Winn *et al.* (2008), in highlighting the need to understand the complementarity between collective and corporate lobbying strategies. We examine this issue in the context of trade policy, an important but often uncertain policy arena for firms engaged in and operating global supply chains, and where regulations such as tariffs and non-tariff measures play a key role in managing the costs and risks of a firm's global operations (Findlay & Hoekman, 2020). We argue that collective actors gain influence through establishing legitimacy as industry representatives and experts, whose capabilities (knowledge, networks, and so on) can help member firms negotiate regulatory outcomes and respond to social and political influences, particularly during periods of uncertainty. Consequently, collective action becomes an attractive option for firms.

We test our hypotheses on a unique sample of 146 firms in India, for which data was gathered through questionnaire survey. Studies have reported an increase in economic nationalism and a decline of democracy in India in the years following 2014, when the Bhartiya Janata Party (BJP) was elected to national power with Narendra Modi as the prime minister (Plagemann & Destradi, 2019, Torri & Maiorano, 2018). Yet, unlike Trump's anti-global tendencies in the U.S., the Modi government has been relatively supportive of trade liberalization (Wojczewski, 2020). The Indian context also allows us to explicate the

aforementioned relationships in an emerging economy and global South context. Although our hypotheses do not focus theoretically on the emerging economy context, empirically, there has been little research on lobbying relating to trade policy in emerging economies. Most extant studies have focused on developed countries, particularly the U.S. and the EU (Coen, 1998, Gawande, Krishna, & Olarreaga, 2012, Hall & Deardorff, 2006, Pijnenburg, 1998, Weymouth, 2012). Our findings therefore allow us to contextually extend theory and thereby contribute to both theory and policy development.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Corporate Political Activity: Strategic Approaches and Firm-level Implications

Hillman and Hitt (1999) recognized various strategic approaches that firms use to engage with public policymakers. Using their typology, the "information strategy" involves targeting public policymakers by providing information, and includes tactics such as contacting government officials and providing research results, testifying as expert witnesses in legislative hearings, conducting think tank projects, and supplying position papers. Within developed countries with legitimate business-government interfaces, the term lobbying is often used interchangeably with information strategy and it recognizes the value of information that can be used by both firms and legislators in the policy process (Campos & Giovannoni, 2007, McGuire, Lindeque, & Suder, 2012, Shirodkar, Konara, & McGuire, 2017). Alternatively, the "constituency building strategy" involves targeting political decisionmakers through constituent support such as by mobilizing employees, advocacy advertising, conducting press conferences, and political education programs. Finally, the "financial incentive strategy" involves providing political campaign contributions and donations, and hiring employees with government experience.

Several studies have examined whether these tactics are beneficial for firms. Work on the firm-level performance implications of CPA (Mellahi, Frynas, Sun, & Siegel, 2016) has

been on-going and has provided contested evidence. Studies providing a positive association between CPA and firm performance suggest that CPA can benefit firms in various ways such as increasing cost of resources to rivals (McWilliams, Van Fleet, & Cory, 2002), gaining higher academic earmarks (De Figueiredo & Silverman, 2006), longer debt-maturity periods (Boubakri, Guedhami, Mishra, & Saffar, 2012), greater likelihood of bankruptcy protection (Faccio, 2006), positive returns in stock markets (Cooper, Gulen, & Ovtchinnikov, 2010), and preferential access to financing (Leuz & Oberholzer-Gee, 2006), as well as lower taxes (Richter, Samphantharak, & Timmons, 2009). However, studies also report that CPA may not always yield positive returns to firms' performance (Okhmatovskiy, 2010), or may even impact performance negatively (Hadani & Schuler, 2013). Bliss and Gul (2012), for instance, find that creditors often consider firms pursuing CPA as risky and therefore charge them higher interest rates on loans. The benefits of CPA are also reflected in other studies such as in the passage of "lemon laws" lobbied for by large automobile companies in the U.S. by gathering support from both auto-dealers and consumer groups (Shaffer & Ostas, 2001). Trade policy literature provides a similar view, that governments have to balance the interests of firms with aggregate welfare interests from policy outcomes, and therefore, competition in trade policy lobbying dictates favorable policy outcomes such as protectionism (Bombardini & Trebbi, 2012, Gawande, Krishna, & Olarreaga, 2012, Grossman & Helpman, 1992).

Specifically, in terms of reducing risk and uncertainty, there is, once again, contested evidence to suggest whether lobbying is indeed beneficial for firms. In emerging and frontier economies characterized by greater levels of institutional risk and voids, contacts with politicians allow firms to benefit from insider information that may not be available in the open market (Liedong, Rajwani, & Mellahi, 2017). However, empirical evidence also suggests that being politically less active and keeping a low profile (rather than lobbying aggressively) could also help reduce risk in uncertain environments, as the costs of political engagement may

outweigh benefits (De Villa, Rajwani, Lawton, & Mellahi, 2019). In the context of populist anti-global movements, while there is less evidence to suggest so, it is argued that pro-protectionist actors assume relatively greater gains from lobbying because firms losing from globalization often outnumber those benefiting from globalization (Franzese, 2019). Yet, MNEs as well as exporters engage in lobbying for multilateral agreements to protect their global value chains and to access foreign markets (Curran & Eckhardt, 2020). Political connections have also been found to be detrimental in transitional contexts. For instance, in Indonesia, firms connected to the Suharto family suffered huge losses when the Suharto regime fell and transitioned to a democratic regime (Dieleman & Boddewyn, 2012). Due to such contested evidence, research highlights the role of contingency factors in the creation of benefits from CPA (Siegel, 2007).

Individual and Collective Political Activity: Complements or Substitutes?

Hillman and Hitt (1999) distinguished between *individual* and *collective* attempts made by firms in the nonmarket context. The terms individual, private, and corporate attempts to participate in the government's policy-making process are used interchangeably in the literature, and refer to firms' solo attempts to lobby; whereas collective action refers to the collaboration and cooperation of two or more individuals or firms. The role of collective action (Olson, 1965) in facilitating social movements and institutional change is well acknowledged in social studies (Hansen, Mitchell, & Drope, 2004, Hardy & Maguire, 2008). Even though common interest is the backdrop against which collective actions are constructed, common interests do not automatically warrant collective actions unless the free-rider problem is overcome (Drope & Hansen, 2009). Organizations willingly enter a collaborative engagement only if their compliance with common goals is compensated by the benefits available exclusively to members (Streeck, Grote, Schneider, & Visser, 2006). These benefits include a

unified voice, enhanced political sensitivity and strategic fit with the external environment (Barnett, 2006, Schuler, Rehbein, & Cramer, 2002). The benefits of joining interest organizations such as trade associations and business groups include increased social capital through membership networks, access to knowledge, advice and expertise, expanded societal engagement and citizenship, insight into regulatory trends and developments, and the potential to attain favorable policy outcomes (Bolkeat, 2003, Granovetter, 1995). Trade association membership is attractive only if the trade association can effectively defend and enforce the interests of its members in the political and regulatory process (Streeck, Grote, Schneider, & Visser, 2006). For these purposes, trade associations undertake a multitude of nonmarket activities aimed at promoting industry profile through shaping government and public opinion via campaigns, lobbying, and public relations (Austen-Smith & Wright, 1996, Getz, 1997). As such, there has been significant interest in the fields of political studies and reputation management in the nature of relationships between strategies that firms execute and strategies implemented via collective action or intermediaries.

In the ongoing debate about whether collective and corporate actions are complements or substitutes, CPA literature finds evidence supporting both cases. Studies such as Hillman and Hitt (1999) and Hansen *et al*. (2004) suggest that scarce resources prevent firms from pursuing both options, whereas a complementary argument states that integrated strategies built through collective membership help firms take advantage of access to legislators and regulatory authorities (Hansen & Mitchell, 2000) or simultaneously exploit opportunities in multiple policy arenas (Pijnenburg, 1998, Richardson, 2000). In parallel, literatures on legitimacy and reputation management strategies suggest that the pursuit of both collective and corporate strategies can potentially result in nonmarket competitive advantage (Barnett, 2006, Winn, MacDonald, & Zietsma, 2008). In India, for instance, conglomerate firms (or business houses) lead large and influential collective associations (such as the Confederation of Indian Industry)

and hence provide distinct advantages for group-affiliated firms (Chari, 2013, Khanna & Rivkin, 2001). Regardless of their conclusion, it is notable that both literatures emphasize industry and firm characteristics as determining factors of the interplay. Among the accredited variables are firm resources (Hillman & Hitt, 1999), industry concentration and firm size (Hansen and Mitchell, 2000; Schuler *et al*., 2002), degree of corporatism or pluralism (Hillman, 2003), conditions of market-supporting institutions (Jia, 2014), government contracts or research and development density (Ozer & Lee, 2009), industry life cycle (Barnett, 2006) and industry-wide legitimacy crisis (Winn, MacDonald, & Zietsma, 2008). Even though researchers have acknowledged the validity of collective strategies (Astley & Fombrun, 1983, Olson, 1965), implicitly hidden and rather taken-for-granted by scholars in this research stream is the assumption that collective actors would unfailingly deliver common interests. Whilst strategic management research pays attention to the conditions shaping the likelihood of success of corporate political strategies and of collective actions (Dorobantu, Kaul, & Zelner, 2017, Hadani & Schuler, 2013, Hillman, Zardkoohi, & Bierman, 1999, Jia, 2014), the ability of collective actors to deliver collective goals has not been incorporated into the comparison of collective and corporate strategies. Collective organizations also have limited resources and conditional capabilities just like conventional firms. As such, only with better understanding of the internal strategic processes and external constraints imposed upon collective organizations might we reach a convincing conclusion to the matter.

Building effective political capabilities

We use the capabilities-based perspective (Teece, 2014) to develop our hypotheses. This view suggests that firms must bundle their resources to form capabilities, and this involves developing routines and processes to first, make incremental improvements to existing capabilities; second, extend current capabilities; and third, create new capabilities (Sirmon,

Hitt, & Ireland, 2007, Sirmon, Hitt, Ireland, & Gilbert, 2011). Political capabilities are referred to as a firm's capacity to deploy, renew, and reconfigure its political resources to address the demands of changing external institutional environments (Holburn & Zelner, 2010). Oliver and Holzinger (2008) argue that the key mechanisms in building effective political capabilities include developing nonmarket scanning and predictive capabilities, developing legitimacy and reputation in the nonmarket arena, maintaining a flexible organizational structure to deal with policy changes, and being able to align divergent interests in the political arena. Firms can also develop effective political capabilities in influencing the government by deploying their political and social capital and interacting with stakeholders on a regular basis to shape how standards and policies are defined (Oliver & Holzinger, 2008). In a trade policy context, it is argued that in industry sectors with greater competition, firms are more likely to develop collective lobbying capabilities, whereas in concentrated industry sectors, when firms have differentiated products, firms are likely to develop individual lobbying capabilities (Bombardini & Trebbi, 2012). We argue that when the trade policy context is uncertain and dynamic, firms can develop more effective political capabilities using the bimodal strategy and mechanisms previously discussed.

Bimodal Strategy and Lobbying Effectiveness

As our baseline hypothesis, we suggest that in an uncertain trade policy context, firms that engage in a bimodal strategy (i.e., combine private and collective lobbying actions) are more likely to perceive greater benefits (e.g., reduced uncertainty, fewer risks) than those that engage either on a private or collective basis. That is, we argue for a complementary effect of private and collective action in lobbying in an uncertain trade policy context. This is due to the following reasons.

First, we suggest that the bimodal strategy allows for the creation of improved nonmarket sensing capabilities (Oliver & Holzinger, 2008), which are particularly important when the trade policy environment is dynamic and uncertain. These capabilities include the gathering of intelligence in both market (e.g., sensitive industry information such as pricing and market analysis) and nonmarket areas (e.g., existing laws, issues, agencies, and so on) (Lawton & Rajwani, 2011). For instance, firms petitioning for trade remedies through individual lobbying must invest in human and capital resources to gather intelligence about import competition and trade remedy laws. And such information – usually held by industry experts outside the firm, such as trade attorneys and economists – is important at various stages of the trade remedy petition, such as pre-petition, investigation, and review stages (Lindeque & McGuire, 2010). Yet, such information is imperfect and costly to obtain. Firms can complement their intelligence gathered via individual lobbying or by employing external experts when they are lobbying collectively via trade associations and cartels. Trade associations often produce statistically important and robust information that members can use to enrich their nonmarket sensing capabilities developed on an individual basis (Barron, Hultén, & Hudson, 2012). Because trade associations frequently survey their member firms, such education and development materials, research publications, industry matrices and other valuable data about industry problems and trends (Rajwani, Lawton, & Phillips, 2015) can be reused in individual lobbying. Consequently, the accumulated knowledge and unique insights offered by trade associations in collective action might not be available elsewhere, and should thus complement the political knowledge gained by individual lobbying, as well as reduce the costs of intelligence gathering.

Second, during uncertain times when there is lower trust in business, by combining individual and collective actions, relative to working on their own, or solely via collective actions, firms can renew their legitimacy and reputation. Hillman and Hitt (1999) have

emphasized that legitimate and credible firms are more likely to gain government access. However, during uncertain times, politicians would have to make their policy-related choices by building wider support (Curran & Eckhardt, 2020) and hence building legitimacy solely through firm-level efforts would be less effective. Trade associations, as well as other non-government organizations, are heavily involved in a wide range of public relations activities such as campaigns, advertising, media relations, education and publishing via main marketing channels such as association websites, membership yearbooks or directories, conventions, press releases, newsletters, seminars, and membership magazines (Rajwani, Lawton, & Phillips, 2015). Firms lobbying bimodally can reconfigure their own legitimacy via developing wider support through collective action. Some of the most active associations using a comprehensive range of editorial media and advertising include the European Wind Energy Association (EWEA) in the context of climate change negotiations (Ydersbond, 2018) and the Confederation of British Industry (CBI), in the context of Brexit (Rollings, 2021). Diverse as they are, all of these communication and lobbying activities share two purposes. The first is to promote corporate good deeds and to enhance public opinion about their sectors. Some examples are the U.S. advertising campaign, "Beef, it's what's for dinner", used by the National Cattlemen's Beef Association to promote a positive image of beef (Heinz & Lee, 1998), and "Make the Link", the Mineral Products Association's publication and campaign underlining the vital contribution of the mineral products industry to the economy (Arrowsmith, 2014). Second, campaigns and advertising can also be utilized to shape public opinions on specific issues. It can take the form of purely educational campaigns such as to promote the safe use of seed treatments in the "Guide to Seed Treatment Stewardship" (Association, 2017); or to explain the role that landmen play in the oil and gas industry in the "Meet us" campaign (Wilber, 2012). Overall, we suggest that by lobbying collectively as well as individually (i.e.,

using a bimodal strategy), the benefits of legitimacy increase significantly during uncertain times, leading to greater perceived effectiveness of lobbying.

Third, using a bimodal strategy, firms should be better able to align the potentially divergent (or conflicting) interests of various nonmarket actors; an important advantage in the case where protectionist policies differentially affect actors (Curran & Eckhardt, 2020). On a private (individual) basis, firms may do so via "constituency building" political activities, typically at a time when policy issues are at the stage of public opinion formation (Hillman, Keim, & Schuler, 2004). As prior studies have suggested, constituency building allows firms to gather the interests of various stakeholders, and hence balance competitive interests in lobbying (Lord, 2000). In a similar way, firms can also align divergent interests of nonmarket actors by combining their private efforts with collective action. The significance of collective actors such as trade associations, who organize the governance of common interests, is manifest in their ability to offer a unified voice alongside informational, representational and developmental advantages to their members (Boléat, 2003). Firms lobbying via trade associations are often competitors with their own agendas; hence, trade association influence may be undermined without strategic negotiation tactics to align differences. Overall, based on these arguments, we propose that:

> **Hypothesis 1 (H1):** In an uncertain trade policy context, firms that engage in a bimodal lobbying strategy are likely to perceive greater lobbying effectiveness compared to those engaging either privately or collectively.

The moderating effect of exporting

Next, we argue that the perceived effectiveness of bimodal lobbying strategy in reducing trade policy uncertainty should be greater for exporting firms than for those that primarily or exclusively sell within domestic markets. Prior studies have suggested that both exporters and

domestic sellers can benefit from lobbying. However, uncertainty in the trade policy context is more relevant for exporters (Kinderman, 2021), as it may impact their access to new or existing foreign markets (Kim, 2017). Therefore, in an era of populism, economic nationalism, and trade protectionism, exporting firms have a greater need to reduce uncertainties in trade policy. At the same time, exporters are seen to contribute to the local manufacturing industry to a greater extent (e.g., via employment creation) and to national competitiveness, as these firms are often technologically more intensive, with innovation being an important factor in their survival (Dai, Liu, & Lin, 2020, Yang, Lancheros, & Milner, 2021). Consequently, exporting firms are in a better position to develop and leverage various resources to improve the effectiveness of bimodal strategy in reducing trade policy uncertainty. These resources include: (1) reputational resources such as improved brand image gained through selling products in international markets and being closer to the technological frontier; (2) human resources skilled in export marketing; (3) financial resources that include the ability to generate cash and capital from a greater variety of sources; (4) relational resources such as access to networks of customers and other stakeholders; and (5) informational and knowledge-based resources regarding international customers and institutions (İpek, 2018, Morgan, Vorhies, & Schlegelmilch, 2006, Rodríguez & Rodríguez, 2005). These resources can be better utilized to enrich the complementarity of individual and collective lobbying. For instance, exporters can use their relational and knowledge-based resources from international markets to build on the intelligence gathered by local trade associations. In doing so, they can make more informed decisions in their individual lobby efforts. The greater reputational benefits of exporting firms also enable them to further improve their credibility and legitimacy in lobbying gained though a bimodal strategy. Their knowledge of the international context and access to global non-governmental organization (NGO) managers can also be used to align the divergent or competing interests of other stakeholders involved in domestic lobbying. As domestically-

focused firms will be unable to leverage such resources, their perceived lobbying effectiveness in reducing trade policy uncertainty will be lower than those engaged in exporting. Overall, based on the above arguments, we propose that:

> **Hypothesis 2 (H2):** The perceived effectiveness of bimodal lobbying strategy is greater for exporting firms than for firms selling domestically.

The moderating effect of government support to industry

Finally, we argue that government support to an industry can have an important moderating affect on the effectiveness of bimodal lobbying strategy in reducing trade policy uncertainty. In a populist and uncertain political setting, governments often regard certain industries as critical for national development (Hartwell & Devinney, 2021). Prior research also suggests that some industries are more successful than others at securing government support (Grossman & Helpman, 1995). Declining industries (such as textile manufacturing in developed countries) often tend to gain a disproportionate share of government support (also referred to as the "loser's paradox") (Baldwin & Robert-Nicoud, 2007), especially during protectionist periods. In this context, prior research has recognized the risk minimization effects of individual political activities in gaining government support, such as bailouts in the banking industry (Blau, Brough, & Thomas, 2013). Private lobbying thus provides firms with political capital to gain political support and protection in the event of a crisis (Gao, Yang, Huang, Gao, & Yang, 2018). We articulate the moderating role of "political representation" - as a form of direct government support to certain industries - on the relationship between bimodal lobbying and uncertainty reduction.

Certain industries within a country may be represented by specific political interests, so that firms within such an industry benefit from exclusive government-initiated programs and schemes such as for skill development and training, and other measures such as bankruptcy

protection. For example, since 2014 when the BJP was elected to national power in India, Modi has campaigned for "Make in India" to encourage foreign firms to undertake manufacturing in India (rather than importing) (Palit, 2021). Import tariffs were also raised on items such as perfumes, automobiles, auto-parts, and apparel, to protect the local manufacturing industry (Palit, 2021). In this context, the Ministry of Heavy Industries and Public Enterprises has exclusively represented the interests of auto-makers and manufacturers of machine tools and other heavy electrical equipment. The ministry maintains ongoing dialogues with various trade associations to restructure tariffs and trade, and is supported by a dedicated Secretary to the Government of India (Singh & Singh, 2020). Similar initiatives are undertaken by ministries representing other industries such as agriculture and food processing. In such an industry, political representation - the policymakers themselves - work with both collective organizations and firms' private lobbies. Thus, during times of policy uncertainty, for firms in such politically supported industries, the joint effect of private and collective lobbying should lead to greater complementarities in information gathering and legitimacy building, as argued in previous sections. This type of government support to an industry also leads policymakers to engage in promotional activities such as acknowledging the performance of the industry in relation to government policies supporting the industry. Overall, political representation thus provides a valuable institutional support to firms in some industries over others, where the government wants to boost competitiveness in the sector by channeling funds for research and development for instance, thereby helping firms to reduce operational costs and improve performance. For firms whose interests are represented politically, we therefore suggest that this provides an additional institutional resource that can enhance the effectiveness of the bimodal strategy.

> **Hypothesis 3 (H3):** The perceived effectiveness of bimodal lobbying strategy is greater when there is political representation for related industries.

METHODOLOGY

Research Context and Sample

India was chosen as the setting for this study because business associations and groups have been an integral part of trade-related policymaking in India (Kochanek, 1996, Kochanek, 1995, Kochanek & Hardgrave, 2008). Importantly, the post-2014 Modi era has marked an increase in populist, Hindu-ideologist and anti-democratic policies, thus creating a significant level of uncertainty in the trade policy context. For example, alongside the "Make in India" campaign that promotes local manufacturing (in India) over imports, Modi also advocated for environmentally focused production in the 2015 Paris climate summit by referring to several Hindu religious texts in support, contrary to the thoughts of local economists (Saryal, 2018). But how this would be implemented in trade policy terms is uncertain. In 2015, Modi also invited members of the South Asian Association of Regional Cooperation (SAARC) to generate more cooperation, deeming South Asia as a predominantly Hindu space (Roy-Chaudhury, 2018).

Furthermore, India inherited its post-independence constitution and legislative system from the extant British colonial system. This makes the institutional framework in India (despite being an emerging economy) more favorable for the adoption of political strategies used by firms in the U.S. or the UK (Hillman & Hitt, 1999, Shirodkar & Mohr, 2015). The Confederation of Indian Industries (CII) and the Federation of the Indian Chambers of Commerce and Industry (FICCI) have historically represented the collective interests of Indian firms (Kochanek, 1996), and several such institutions and think-tanks have allowed for joint research projects between the Indian government and industry players to formulate effective public policies. India also is an important emerging economy in the global South, where research on global value chains has largely focused on production sites (Horner, 2021). India

thus provides an excellent setting to investigate our hypotheses because we expect a high level of variability with regards to foreign firms' private and collective lobbying, as well as the moderating factors that we argue impact the effectiveness of trade policy lobbying.

The data employed in our analysis was collected using a primary questionnaire survey.[1] Using the World Bank Enterprise Surveys (WBES) classification, the questionnaire survey was sent to 250 selected firms engaged in manufacturing activities across different industry sectors. After establishing initial contact, participant firms received appointments to participate in the survey. The firms chosen for the survey covered 20 industrial subsectors, and they were contacted during the period July 2013 to November 2014. This period was notably politically uncertain (and hence an ideal setting for our research) due to national elections taking place in India at that time. It was already expected that there would be a transition from a Congress-led government (after 10 years of power) to the rival BJP-led government. The firms targeted for survey were spread across the four major cities of India: New Delhi (including the National Capital Region), Mumbai, Kolkata, and Chennai. These four cities form the major manufacturing bases in India and are supported by the government through national highways and other infrastructure, constituting the Golden Quadrilateral (Mehta & Rajan, 2017). The cities also have the largest export processing zones (or special economic zones) in India – industrial clusters designed to promote manufacturing and exports through reduced tax and other benefits (Aggarwal, 2004). Some of the firms in these locations are affiliated to large and influential business groups, while others are small and medium sized and therefore rely on collective associations to voice their interests with the Indian government over trade policy issues. Due to this, the survey was designed as a multistage stratified random sampling, using two strata that included lists of manufacturing firms from these cities and who were also

[1] Further details on our approach can be found in A. Saha (2020) Join hands or walk alone? Evidence on lobbying for trade policy in India. *Economics & Politics*, 32(1): 28-67.

members of both the Confederation of Indian Industry (CII) and the Federation of Indian Chambers of Commerce and Industries (FICCI), the two major collective lobby groups in India. The CII and the FICCI are the broadest collective lobby organizations in India, and although firms becoming a member of these organizations are likely to lobby, many firms may simply join these organizations to be informed of up-to-date policy matters, or changes to policy. Additionally, the contact details of firms were taken from various phone directories. After sending the survey, and after a number of follow ups over email and telephone, many of the respondents did not respond to the survey or left them incomplete. Overall, the survey rendered 146 usable responses, representing a final response rate of 58 percent (146/250). This response rate is comparable to various other studies on political strategies, especially given that the nature of questions asked in the survey is sensitive (Nell, Puck, & Heidenreich, 2015, Puck, Rogers, & Mohr, 2013, Shirodkar & Mohr, 2015). Table 1 provides the distribution of manufacturing firms in our sample by the different industry sectors they operate in. Table 2 provides the descriptive statistics. As can be noted from Table 2, 6 percent of the responding firms do not engage in any form of lobbying, despite being a member of the CII and FICCI. Firms engaging in collective lobbying would be more likely to do so via specific sectorial trade associations. For instance, the Automotive Component Manufacturers Association (ACMA) represents the interests of automotive component manufacturers, and the Electronics and Computer Software Export Promotion Council (ESCEPC) represents the interests of electronics and software exporters in India. As per Table 2, 23 percent of the responding firms are engaged in purely collective lobbying, 11 percent engage in purely individual lobbying, and 60 percent engage in bimodal lobbying.

*** Insert Tables 1 and 2 about here ***

Variables and Measures

Our key dependent variable is *perceived lobbying effectiveness* in terms of reduced uncertainty in trade policy. Prior studies related to ours (e.g. Choi, Jia, & Lu, 2015) have used a survey item to ask respondents about their ability to influence the government in a way that enables the firm to measure lobbying effectiveness. We used a similar approach. However, in the trade policy context that we focused on, the benefits of lobbying (e.g., reduced tariffs) are rarely accruable to the individual firm, and are more likely to apply at a product-level (e.g., textiles or garments) or to an industry sector as a whole (Kim, 2017). At the same time, given the sensitive nature of lobbying, especially on a private basis in emerging economies where there is a lack of legitimate business-government interface, managers are reluctant to respond on lobbying information (Deng & Kennedy, 2010, Puck, Rogers, & Mohr, 2013). Due to these reasons, we measure a firm's perceived lobbying effectiveness to the sector, and this was operationalized by asking the following question to survey participants: *How successful would you rate a typical firm in your sector in lobbying the government for trade policy influence?* The scale was a four point Likert scale (1 = Not Effective, 2 = Moderately Effective, 3 = Effective, 4 = Very Effective). Furthermore, we cluster standard errors by the industry to account for similar lobbying behavior within industry sectors, following prior research (Hung, Kim, & Li, 2018).

To measure our independent variable on the ways in which lobbying was conducted, we asked our survey participants if their firm engaged in lobbying individually, collectively (through trade associations), through both means, or not at all. This was operationalized using four dummy variables to capture *Collective* = 1 if the firm engaged in lobbying only collectively (and 0 otherwise); $Individual$ = 1 if the firm engaged in lobbying only individually or privately (and 0 otherwise); $Bimodal$ = 1 if the firm engaged in lobbying both individually and collectively (and 0 otherwise); *No Lobbying* = 1 if the firm did not

engage in lobbying at all. The survey questions corresponding to these variables are provided in the appendix.

Our first moderating variable is whether the firms engage in *Exporting*. This is measured using a dummy variable that takes the value 1 if the firm is exporting, and 0 otherwise, based on our survey. Our second moderating variable is *Political Representation*, and this was operationalized by asking the question in the survey: *Are the interests of your sector represented by any ministry?* This was measured using a dummy variable that takes the value 1 for 'yes' as a response to this question, and 0, for a 'no'.

We considered several control variables that have been previously argued to impact lobbying effectiveness. Following prior studies, we controlled first for *Firm Size* - measured using the log of the number of employees, received from the survey. Larger and well-resourced firms are likely to be more effective in their lobbying attempts due to their greater reputation and credibility, which makes them more likely to be heard by government (Hillman, Keim, & Schuler, 2004). Choi et al (2015), for instance, find that firm size has a positive effect on lobbying effectiveness. Second, we controlled for industry concentration. Prior research has shown that industry concentration can also positively impact the extent of lobbying and its outcomes, as firms in a concentrated industry can assume more private benefits from lobbying (Bombardini & Trebbi, 2012, Kim, 2008). As such, we controlled for *Concentration* - calculated as the output share of the four largest firms in a sector[2], using data from All India Survey of Industries (ASI). Third, many firms lobby on specific nonmarket issues that concern them, and we expect that such firms perceive greater effectiveness of their lobbying, as compared to firms who maintain political contacts regardless of issues of concern (Hillman et al, 2004). As such, we controlled for two distinct motives (or issues) related to lobbying in the trade policy context by asking the

[2] The industry relating to each firm was obtained from the survey. The industry classification was based on the National Industrial Classification (NIC-2008): https://udyamregister.org/blog/nic-code-for-manufacturing

question: *How active was your firm in lobbying for the following issues, on a scale of 1 (not active) up to 4 (highly active)?* Here, we first controlled for whether the motive of lobbying was to impact the issue of *Most Favored Nation (MFN) Tariff Protection*, following prior studies (Gawande, Krishna, & Olarreaga, 2012, Kim, 2017), as MFN tariff protection is an important nonmarket issue in trade policy, especially in emerging economies. Likewise, we also controlled for the issue of whether the lobbying was for *Special Consignments* (understood as specific trade consignments at the border), as this may be of interest to individual firms engaging in trade policy (Krisch, 1982). Fourth, based on the industry relating to each firm, we controlled for *Elasticity*, which is the elasticities of substitution (Broda & Weinstein, 2006), taken as the logarithmic transformation to deal with outliers for each sector (Bombardini & Trebbi, 2012). Given that elasticity accounts for the competition in the sector and creates a motive for firms to lobby on a collective basis, we expect elasticity to positively impact lobbying effectiveness (Bombardini & Trebbi, 2012). Fifth and finally, we controlled for geographical concentration (*Geography*) following a prior study (Lall, Koo, & Chakravorty, 2003), which uses the Ellison-Glaeser index of concentration, measuring whether industrial activity within sectors is clustered across locations, and computed at the state-level for 3-digit National Industrial Classification (NIC) of industries. These were mapped onto our data using sector identification. The existing evidence on how geographic concentration determines lobbying effectiveness can be understood using the idea of a closed group with low incentives to free-ride, thus increasing effectiveness in lobbying (Pincus, 1975). On the other hand, if firms in a given sector are spread across various states, their influence will be felt through multiple channels (Brock & Magee, 1984). As such, we expect *Geography* to positively affect lobbying effectiveness.

Addressing Common Method and Non-Response Bias

We recognize that using self-reported questionnaire data may increase the risk of common method variance (CMV), which may affect the validity and reliability of parameter estimates,

especially when both the dependent and the independent variables are measured through the same survey instrument (Chang, van Witteloostuijn, & Eden, 2010). To address this issue, we applied measures both when designing the questionnaire survey (i.e., *ex-ante*) and during the empirical analysis (i.e., *ex-post*) (Kawai & Chung, 2019). As part of *ex-ante* methods, first, we administered all the questionnaires face-to-face, and the questions were presented with no specific link to the logic of interrelationships that were being studied. Second, as suggested in other studies (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), the cover letter to our survey explicitly stated the nature of the research, as well as the protection of the anonymity and confidentiality of the respondents. Third, significant attention was dedicated to designing and piloting the questionnaire before the actual survey, especially to work on the clarity of wordings of all questionnaire items. The survey was piloted with 20 experts on the topic, who provided guidance on improving the survey items and adjusting it to the Indian context. As part of the *ex-post* method, we conducted a Harman's single factor test, following various other prior studies (Christmann & Taylor, 2006, Shirodkar & Mohr, 2015), and this showed no evidence of CMV.

To verify the absence of non-response bias (Armstrong & Overton, 1977), the early responses and the late responses, as well as the responsive and non-responsive firms were compared on key variables including firm size and industry sector. The first test examined the null hypothesis that there is no statistically significant difference in the response rates across industry sectors (responses and industry sectors are independent), using the Pearson chi-square test, yielding a p-value of 0.880 for the range of expected and actual response rates. This suggests that the non-response rates are independent of the sector identity. The second test assessed null hypothesis that there is no statistically significant difference in non-response rates by firm size (non-response is independent of firm size), such that we fail to reject the null,

thereby finding no discernible evidence of selection on firm size for the non-response. Overall, this shows that non-response bias was not an issue in our data.

RESULTS

Descriptive Statistics and Correlations

Tables 3 and 4 present the descriptive statistics and the correlations between the variables used in our model. From the descriptive statistics, it can been seen that 60 percent of the sampled firms used the bimodal strategy (i.e., engaged in both private and collective lobbying). Collective participation was solely adopted by 23 percent of the firms, and private or individual corporate lobbying strategy was solely adopted by 11 percent of the sampled firms. Six percent of the firms did not engage in lobbying at all. Among the moderating variables, 64 percent of the firms were exporting and 34 percent of the firms had political representation. Regarding the correlations, none of the correlation coefficients were beyond the threshold value of 0.70 - an indication of the low risk of multicollinearity in a regression.

*** Insert Table 3 and Table 4 about here ***

Regressions Results

We used the OLS regression, the 2-Stage Least Squares (2-SLS) and the Limited Information Maximum Likelihood (LIML) methods to test our hypotheses. The 2-SLS and LIML methods were used in addition to OLS to mitigate any potential issues related to endogeneity (Campa & Kedia, 2002). Endogeneity may be a concern because some of the factors that affect lobbying effectiveness could be argued to affect lobbying as a determinant (regardless of individual, collective and bimodal lobbying). To address this issue, we use instrumental variables and the 2-SLS procedure. Furthermore, due to our sample being small, we used

LIML following Stock and Yogo (2005) (with weak identification), where LIML has better small sample properties than 2-SLS when the first-stage F-statistics are low[3].

Instrumental variables must be chosen such that they have been found to have an impact on the endogenous regressor (bimodal lobbying) but not on the dependent variable (in our case, perceived lobbying effectiveness). We used *Advocacy Team* as the main instrumental variable, which was operationalized by asking the survey question: *Do you have a team / specialist officer(s) dealing with Trade Advocacy?* In theory, having officer(s) dedicated to government affairs increases the overall lobbying effort (Baysinger & Woodman, 1982, Shaffer & Hillman, 2000), and facilitates the use of bimodal lobbying (due to additional resources) rather than restricting to individual or collective lobbying (on a solo basis). However, this would not necessarily increase the effectiveness of lobbying. In fact, studies rooted in agency theory suggest that such officers often lobby out of self-interest – for instance, to achieve political positions for themselves - and do not align lobbying activities with firms' shareholder interests (Cao, Fernando, Tripathy, & Upadhyay, 2018). Our strategy was to instrument for the endogenous variable (bimodal lobbying, in our case) and its interaction with exporting and government support (as moderators), where the interaction term was treated as a second endogenous regressor. In this way, the instrument set should include interactions of the instrumental variable (IV) with the exogenous variables to satisfy the necessary rank condition for IV estimation (Hatice & Brent, 2013). For the interaction terms (i.e., the moderating effects), we also introduced an additional instrumental variable – a proxy variable for *location*, identifying if the firm is located in the capital city of New Delhi (58 percent of the firms in our sample had a presence in New Delhi), and included it as an interaction with the above interaction set. In theory, being located in the capital city can

[3] Note: We used LIML to test our moderating hypotheses only (and not to test H1), as the first stage F-statistics were low for the interaction terms (see Table 6 for the first stage results).

facilitate bimodal lobbying, as major trade associations and government offices, including the parliament, tend to be located in the capital (Campos & Giovannoni, 2007). However, this may not affect lobbying effectiveness, as the firm may be located in the capital for other reasons and not necessarily to engage in government affairs.

The main results (second stage) are presented in Table 5. Model (1) shows the regression results using the control variables only. Models (2) and (3) include the independent variables - lobbying strategies (individual, collective and bimodal). In our H1 we had expected that firms pursuing the bimodal strategy (i.e., combining their capabilities in individual and collective participation) will be able to perceive greater effectiveness of their lobbying efforts in terms of reducing trade policy uncertainty. Our results in models 2 and 3 show that this hypothesis is supported. Bimodal lobbying is significantly associated with lobbying effectiveness in both OLS and 2-SLS regression models, whereas individual and collective strategies (on a sole basis) are not significantly associated with lobbying effectiveness in the OLS model. The OLS model (2) also shows that switching to a bimodal strategy increases the perceived lobbying effectiveness by 0.85 units. In percentage terms, this translates to an approximately 40 percent increase in lobbying effectiveness for those using a bimodal strategy. In the 2-SLS model (3), although all the lobbying strategies are significantly associated with greater perceived effectiveness, the effect-size and significance of bimodal strategy is stronger. Switching to bimodal strategy increases perceived lobbying effectiveness by 2.2 units – an 80 percent increase compared to no lobbying - whereas switching to individual (only) or collective (only) increases lobbying effectiveness by 1.2 (44 percent increase) and 1.4 units (a 51 percent increase) respectively.

*** Insert Table 5 about here ***

Models (4) and (5) introduce the *exporting* status of the firm as the first moderator using

the interaction term between exporting and bimodal lobbying (*Bimodal*Exporting)*. In our H2, we had expected that the exporting status positively moderates the relationship between the bimodal strategy and perceived lobbying effectiveness. The results show that the interaction term is statistically significant and positively associated with lobbying effectiveness in the OLS model (4). For exporting fims engaged in bimodal lobbying, perceived lobbying effectiveness increases by 0.5 units – a nearly 25 percent increase. However, in the 2-SLS and LIML models (5), the interaction term is not significant, despite being positively associated with lobbying effectiveness. Overall, this shows a partial support for H2[4].

Models (6) and (7) introduce *political representation* as the second moderating variable via the interaction term (*Bimodal*Political Representation)*. In our H3, we had expected that political representation should positively moderate the effect of bimodal strategy on lobbying effectiveness. Our results show that across both OLS and 2-SLS regressions, the interaction term is positively and significantly associated with lobbying effectiveness. Based on the OLS model (6), for politically represented fims engaged in bimodal lobbying, the perceived lobbying effectiveness increases by 0.67 units – a nearly 35 percent increase; and based on the 2-SLS and LIML model (7), for politically represented fims engaged in bimodal lobbying, perceived lobbying effectiveness increases by 0.76 units – a nearly 40 percent increase. Overall, this supports our H3.

Some of the control variables also showed interesting results regarding their effect on lobbying effectiveness. First, we find that firms that lobby for special consignments perceive greater effectiveness in lobbying. This shows that when lobbying is motivated by firm-specific interests, the perceived effectiveness of lobbying is greater. Comparatively, lobbying for MFN tariff protection (a collective interest) is not significantly associated with perceived

[4] We conduct a further robustness test using Ordered Logit model where we find support for H2.

lobbying effectiveness. Second, the effect of elasticity on lobbying effectiveness was found to be positive and statistically significant, indicating that the substitutability of products is an important determinant of lobbying effectiveness. The other control variables were either not significant or inconsistent in terms of statistical significance across specifications.

We provide the first-stage results of the 2-SLS and LIML in Table 6 – see Models (3), (5) and (7). Robust standard errors clustered by sector are used in all estimations. To investigate the possibility of weak instrumental variables (IVs), we used the Stock and Yogo (2005) diagnostics based on the bias of the 2-SLS estimator. The LIML method follows the Stock and Yogo (2005) with weak identification, as previously suggested. The minimum value of the first stage F-statistics is such that the bias is not greater than 10 percent and 15 percent in all cases.[5] The strength of IVs is diagnosed using the F-Statistics and are within Stock and Yogo's (2005) minimum (or critical) values to tolerate a bias of up to 15 percent. On the whole, for estimators to possess a low bias, the IVs must be strongly correlated with the endogenous regressor, which we find to be the case in Table 6.

*** Insert Table 6 about here ***

Robustness tests

We conducted further tests to check the robustness of our findings. As a first robustness test, we re-ran the regression analyses using the ordered logit model, given the ordinal nature of our dependent variable. The results of this test are reported in Table 7. Our results remained intact. Model (2) in Table 7 shows that the bimodal strategy is significantly and positively associated with perceived lobbying effectiveness, whereas individual and collective (solely) strategies are

[5] Model (5) and (7): Stock-Yogo (2005) weak ID test critical values for LIML at 10 percent is 5.44 and 15 percent is 3.81.

not significantly associated with perceived lobbying effectiveness. The ordered log-odds estimate for those using bimodal lobbying are twice as those of firms that do not use bimodal lobbying when other variables in the model are held constant, thus strongly supporting our H1. Our results regarding the moderating effects also remain consistent.

*** Insert Table 7 about here ***

As a second robustness test, we re-ran the OLS regressions on a reduced sample (of 137 firms) by excluding the firms that do not lobby at all (i.e. the "No Lobbying" group in our sample). Although most prior studies on CPA include both lobbying and non-lobbying firms in their sample (Hansen and Mitchell, 2000; Shirodkar et al, 2017), our study was concerned less with the extent of lobbying and more with the type of lobbying (Individual, Collective and Bimodal). Our results of this robustness test remained consistent with our main analysis[6].

DISCUSSION AND CONCLUSIONS

Theoretical Implications

Our study was motivated by the question of whether private (or individual) and collective political actions can be combined by firms to address the increasing complexity and uncertainties of nonmarket environments in times of populism and economic nationalism. We argued that a bimodal lobbying strategy can generate greater effectiveness in reducing trade policy uncertainty, as firms could enrich their intelligence, legitimacy and reputation, and ability to align the competing interests of stakeholders engaged in the process. Our findings in support of our baseline H1 show that firms using a bimodal strategy indeed perceive greater effectiveness of lobbying as compared to those engaged in lobbying on their own or those

[6] For brevity purposes, the results of this test are not reported but can be provided by the authors upon request.

entirely depending on collective action. Building on the work of Jia (2014), our study confirms the complementarity of private and collective political actions in the trade policy context in emerging economies, using India as the research context. In doing so, we highlight the activities of trade associations as an influential group of meso-level actors that have not been fully understood or appreciated by both practitioners and management scholars (Rajwani, Lawton, & Phillips, 2015; Lawton, Rajwani, & Minto, 2018). We portrayed trade associations as having premeditated strategy practices and clear goals and structures. Trade associations, however, were not always so customer-oriented. They have come a long way from being merely reactive information sharers (Vives, 1990) and communicators (Wilson, 1990) in the political and public policy arenas, to being recognized as proactive change agents and institutional actors with well-defined strategic goals and structures and the potential to influence policymaking, industry standards and norms (Drope & Hansen, 2009, Reveley & Ville, 2010). We also argue for trade associations' research capability to be seen as an important element of their competitive advantage. As market and nonmarket environments become more complex and unpredictable in recent times, the services they seek from trade associations get more diversified. Consequently, trade association strategies and capabilities are likely to evolve over time and future research should aim to capture this development. The work done by Bailey and Rupp (2006) documenting the evolving role of trade associations (from industry standard monitors to negotiation coordinators and knowledge providers) in negotiated environmental agreements is one such study but more are needed. With regard to management practices, insights from meta-organizations (Ahrne & Brunsson, 2008), self-regulating institutions (Barnett & King, 2008) and professional service firms (Suddaby & Viale, 2011) literatures could be integrated to further study trade association strategies, governance, membership dynamics and negotiation tactics, hence augmenting the

understanding of collective actions as an attractive alternative to corporate nonmarket strategies.

We also contribute to theory on the complementarity of private and collective nonmarket actions through our moderating effects. Since private and collective CPA can be argued to be both complements as well as substitutes (Jia, 2014), explicating the role of moderating effects is important. In the trade policy context, we suggest that exporting firms are better able to combine the resources between private and collective actions, and hence these firms perceive greater lobbying effectiveness as compared to their counterparts who sell products domestically. Although our results partially support our H2 in this respect, we theoretically highlight the additional resources held by exporters that enhance the resource bundling between private and collective actions. Finally, we also emphasize the interplay between individual and collective lobbying and government support in the form of political representation. We argue and find that political representation for the industry provides firms with additional institutional resources such as knowledge and legitimacy that improves the effectiveness of lobbying.

Policy Implications

Our study has implications for both managers involved in international trade and for public policymakers dealing with uncertain policy contexts. For managers, our study implies that an effective nonmarket strategy can be derived from a combination of collective and private actions, i.e., by adopting a bimodal lobbying approach. To achieve this, knowledge and capabilities between collective and individual types of political actions should be shared and utilized. Since we focused on India as our research context, we suggest that where institutional voids exist and trade policy is uncertain, reliable nonmarket intelligence is often inaccessible to firms, unless they are embedded in closed policy networks (Rizopoulos & Sergakis, 2010).

As such, firms operating in such contexts can benefit from collective groups, trade associations in particular, as these are useful in collecting crucial nonmarket information that may not be openly available. Adopting a bimodal strategy also promotes learning and mutual adjustment, and this facilitates legitimacy, which is an important source of nonmarket advantage in many emerging markets.

For policymakers, our study recognizes that during times of economic nationalism, a key challenge is to achieve a balance between economic sovereignty and global integration through trade and investment policy. At such times, listening to the collective voice of industry, as well as hearing the opinions of individual companies, will contribute to more robust and comprehensive policy decisions. In the case of emerging economies such as India, our findings show the value of the well-established role of collective action in the policymaking process (Kochanek & Hardgrave, 2008), and that firms do not perceive individual lobbying to be effective on its own. However, we find that collective actors are effective when firms also use private means of contacting government officials. Furthermore, there are no regulations governing lobbying in India, and in the absence of a set criteria for industry consultations, an understanding of lobbying strategies can motivate clearer mechanisms for interactions between firms and government. The government must therefore encourage more fora for firms to participate and express their interests in trade policy matters. As our findings suggest, exporting firms benefit from knowledge and information from international markets and they can be a rich source of input. Our findings also confirm that support from the government (such as via political representation) plays a positive role in this regard.

Limitations and Future Research

Like all academic research, we acknowledge the limitations of our study, that could provide worthwhile avenues for further research on this topic. First, our work captures a small fraction

of the potential theoretical and empirical questions that could be examined regarding the interconnectivities within nonmarket strategies. While we were able to establish the connection between collective and private CPA, we have not been able to examine in detail the separate link between political, social, and other types of nonmarket strategy. We expect that different nonmarket strategies are indeed complementary in seeking to build industry legitimacy, especially in uncertain populist contexts. However, the complementariness might be due to the fact that these strategies serve a single purpose – legitimacy. Future research could therefore examine the interplays in cases where nonmarket strategies are influenced by different motivational factors, to have a deeper understanding of their interacting mechanisms, including resource allocation and operational coordination. Second, we recognize that our measure of the effectiveness of lobbying is broad, and future research can look into some of the specific aspects of the effectiveness or outcomes of lobbying in a trade policy context. Third, we also acknowledge that our data has been limited to a single country, India, and so, our findings may not be generalizable to other countries. Different countries are characterized by different institutional and political systems, and so, are characterized by different business-government interfaces, and also by different ways of government interaction with, and support of, industries. Our data was also collected immediately prior to the Modi era, and hence, although we capture the context of political uncertainty, we do not effectively capture the context of populism that emerged after 2014. Future studies can address this context. Finally, we also acknowledge that measures of certain variables could have been further developed, in that, they include single survey items and dummy variables. Having multiple survey items corresponding to our dependent variable on the effusiveness of lobbying would have improved the reliability of the construct and this could be done in future studies related to the topic. Despite these limitations, we believe that we make an important contribution to the literature on nonmarket strategy in a trade policy context.

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ABOUT THE AUTHORS

Amrita Saha is Research Fellow at the Institute of Development Studies (IDS) at the University of Sussex. Her research focuses on the political economy of trade policy, inclusive trade, and innovation. Her most recent work is focused on international trade and development, South-South trade cooperation, agricultural commercialisation, and trade and innovation.

Vikrant Shirodkar is a Reader in International Business at the University of Sussex Business School. His primary research interest is in the nonmarket (political and social) strategies of multinational enterprises (MNEs). He is also interested in the implications of institutional distance and the strategies of MNEs based in the context of emerging markets.

Thomas C. Lawton is Director of the Global Competitiveness Institute and Professor of Strategy and International Business at University College Cork, Ireland and at the University of Surrey, U.K. His research integrates strategy and international business, and has been published in more than 70 articles and book chapters and eight books. He is Co-Editor-in-Chief of Long Range Planning.

TABLES

Table 1: Sample of firms by Industry

Industry	Number of firms in sample	Percentage
Garments	8	5.48
Textiles	29	19.86
Drugs & Pharma	6	4.11
Electronics incl. cons.	4	2.74
Electrical Appliances	3	2.05
Machine Tools	7	4.79
Auto Components	6	4.11
Leather	7	4.79
Sugar	4	2.74
Food Processing	8	5.48
Plastics	5	3.42
Rubber	5	3.42
Paper	6	4.11
Structural Metals & Prod.	16	10.96
Paints & Varnishes	6	4.11
Cosmetics & Toiletries	5	3.42
Other Chemicals	6	4.11
Mineral Processing	5	3.42
Agro Processing	5	3.42
Wood & Furniture	5	3.42
Total	**146**	**100**

Table 2: Descriptive statistics

Variable	Mean	Std. Dev.	Min	Max
Lobbying effectiveness	2.72	0.86	1	4
Lobbying Strategy				
Bimodal	0.60	0.49	0	1
Collective	0.23	0.42	0	1
Individual	0.11	0.31	0	1
No Lobbying	0.06	0.24	0	1
Moderating variables				
Exporting	0.64	0.48	0	1
Political Representation	0.34	0.47	0	1
Control Variables				
MFN Tariff Protection	2.88	0.90	1	4
Special Consignments	2.390	1.304	1	4
Geography	0.03	0.04	0.01	0.19
Concentration	8.57	12.81	0.00	46.97
Elasticity	10.828	16.596	2.658	93.076
Firm Size	5.991	0.876	1.946	8.294

Table 3: Lobbying strategies by industry

Industry	Collective	Individual	Bimodal	No Lobbying
Garments	0.25	0.00	0.75	0.00
Textiles	0.45	0.03	0.48	0.03
Drugs & Pharma	0.50	0.33	0.17	0.00
Electronics incl. cons.	0.25	0.00	0.75	0.00
Electrical Appliances	0.00	0.00	1.00	0.00
Machine Tools	0.29	0.00	0.71	0.00
Auto Components	0.33	0.33	0.33	0.00
Leather	0.43	0.00	0.57	0.00
Sugar	0.00	0.00	1.00	0.00
Food Processing	0.00	0.25	0.38	0.38
Plastics	0.20	0.00	0.80	0.00
Rubber	0.20	0.00	0.60	0.20
Paper	0.00	0.00	0.83	0.17
Structural Metals & Prod.	0.06	0.06	0.81	0.06
Paints & Varnishes	0.33	0.33	0.33	0.00
Cosmetics & Toiletries	0.40	0.20	0.40	0.00
Other Chemicals	0.17	0.00	0.67	0.17
Mineral Processing	0.00	0.60	0.40	0.00
Agro Processing	0.00	0.20	0.80	0.00
Wood & Furniture	0.00	0.20	0.60	0.20
Total	**0.23**	**0.11**	**0.60**	**0.06**

Note: Proportion of firms that report to each strategy

Table 4: Correlations

	1	2	3	4	5	6	7	8	9	10	11	12
Lobbying effectiveness	1											
Bimodal	0.4685*	1										
Collective	-0.4127*	-0.6691*	1									
Individual	-0.0002	-0.4260*	-0.1933	1								
MFN Tariff protection	0.2074	0.2755*	-0.0326	-0.2204*	1							
Special consignments	0.3710*	0.2034	-0.2547*	0.1607	0.6733*	1						
Geography	0.1099	-0.0153	0.0065	0.0778	0.111	0.0975	1					
Concentration	-0.0073	-0.2419*	0.1234	0.2739*	-0.0971	-0.015	0.5388*	1				
Elasticity	0.2665*	0.0141	-0.0755	0.1073	-0.052	0.0699	0.1456	0.2940*	1			
Firm Size	-0.0205	0.0198	-0.0657	0.0035	0.0944	0.191	-0.0185	-0.0128	0.1425	1		
Exporting	-0.0476	-0.0702	0.0452	0.0825	0.0232	0.0418	-0.0248	-0.0555	-0.0024	0.1741	1	
Political Representation	0.2063	0.4079*	-0.2200*	-0.2029	0.0976	-0.039	-0.0824	-0.1249	0.0321	-0.0755	-0.0969	1

Note: N=146; * $p < 0.01$

Table 5: Regression results using OLS, 2-SLS and LIML

VARIABLES	(1) OLS	(2) OLS	(3) 2-SLS	(4) OLS	(5) 2-SLS	(5) LIML	(6) OLS	(7) 2-SLS	(7) LIML
Bimodal		0.849***	2.157***	0.595**	1.798***	1.793***	0.788***	2.030***	2.032***
		(0.265)	(0.718)	(0.290)	(0.595)	(0.677)	(0.263)	(0.611)	(0.610)
Collective		0.098	1.206*	0.149	1.190**	1.185*	0.182	1.250**	1.253**
		(0.273)	(0.713)	(0.269)	(0.600)	(0.690)	(0.273)	(0.611)	(0.609)
Individual		0.343	1.445**	0.415	1.439**	1.434**	0.405	1.461**	1.464**
		(0.317)	(0.593)	(0.312)	(0.597)	(0.589)	(0.313)	(0.607)	(0.604)
Exporting	-0.050	-0.024	-0.056	-0.357*	-0.342	-0.341			
	(0.133)	(0.124)	(0.124)	(0.195)	(0.279)	(0.294)			
*Bimodal*Exporting*				0.530**	0.473	0.473			
				(0.247)	(0.360)	(0.473)			
Political Representation	0.383***	0.100	-0.081				-0.440	-0.683**	-0.688**
	(0.138)	(0.138)	(0.137)				(0.311)	(0.296)	(0.285)
*Bimodal*Political Representation*							0.673*	0.763**	0.768**
							(0.348)	(0.360)	(0.349)
MFN Tariff protection	-0.113	-0.123	-0.184**	-0.123	1.693	-0.194**	-0.114	1.520	-0.172*
	(0.098)	(0.102)	(0.082)	(0.100)	(1.900)	(0.077)	(0.101)	(1.907)	(0.095)
Special consignments	0.458***	0.358***	0.316***	0.355***	-0.003	0.335***	0.347***	-0.004	0.306***
	(0.104)	(0.110)	(0.096)	(0.107)	(0.005)	(0.096)	(0.108)	(0.005)	(0.116)
Geography	3.037	1.881	1.494	1.882	0.214***	1.694	1.895	0.208**	1.519
	(2.092)	(1.943)	(1.946)	(1.909)	(0.080)	(1.935)	(1.917)	(0.082)	(1.907)
Concentration	-0.009	-0.003	-0.003	-0.003	-0.081	-0.003	-0.004	-0.061	-0.004
	(0.006)	(0.006)	(0.006)	(0.006)	(0.079)	(0.006)	(0.006)	(0.075)	(0.005)
Elasticity	0.265***	0.240***	0.229*	0.229***	-0.195**	0.214*	0.220***	-0.171*	0.208**
	(0.080)	(0.074)	(0.129)	(0.073)	(0.097)	(0.130)	(0.074)	(0.095)	(0.082)
Firm Size	-0.109	-0.107	-0.077	-0.115*	0.335***	-0.081	-0.089	0.306***	-0.061
	(0.075)	(0.070)	(0.069)	(0.069)	(0.116)	(0.069)	(0.069)	(0.116)	(0.075)
Constant	1.797***	1.636***	0.708	1.898***	0.931	0.935	1.559***	0.661	0.658
	(0.480)	(0.493)	(0.831)	(0.497)	(0.781)	(0.809)	(0.488)	(0.765)	(0.764)
Observations	146	146	146	146	146	146	146	146	146
R-squared	0.273	0.395	0.286	0.413	0.318	0.319	0.412	0.319	0.311

Notes: Standard errors are shown in parentheses; * p < .1; ** p < .05; *** p < .01

Table 6: First Stage Results of 2-SLS and LIML

VARIABLES	Model (3)	Model (5)				Model (7)			
	Bimodal	*Bimodal*	*Interaction*	*Bimodal*	*Interaction*	*Bimodal*	*Interaction*	*Bimodal*	*Interaction*
		2-SLS		LIML		2-SLS		LIML	
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)
Advocacy Team	0.314***	0.359***	-0.262***	0.361***	-0.260***	0.342***	-0.087**	0.343***	-0.084**
	(0.092)	(0.085)	(0.091)	(0.086)	(0.092)	(0.092)	(0.044)	(0.093)	(0.040)
Exporting	0.018	0.035	0.189***	-0.003	0.166*	0.035	0.189***		
	(0.037)	(0.067)	(0.069)	(0.088)	(0.096)	(0.067)	(0.069)		
*Bimodal*Exporting*		-0.036	0.737***	-0.026	0.743***	-0.036	0.737***		
		(0.061)	(0.075)	(0.065)	(0.079)	(0.061)	(0.075)		
Political Representation	0.060*					0.159**	0.305**	0.173**	0.348**
	(0.034)					(0.069)	(0.151)	(0.072)	(0.154)
*Bimodal*Political Representation*						-0.133*	0.660***	-0.131*	0.667***
						(0.072)	(0.157)	(0.068)	(0.147)
*Bimodal*Political Exporting*Location*				0.049	0.029				
				(0.048)	(0.060)				
*Bimodal*Political Representation*Location*								-0.033	-0.102**
								(0.025)	(0.048)
Collective	-0.686***	-0.694***	-0.443***	-0.696***	-0.444***	-0.692***	-0.144**	-0.689***	-0.137**
	(0.090)	(0.091)	(0.098)	(0.091)	(0.098)	(0.087)	(0.068)	(0.087)	(0.062)
Individual	-0.661***	-0.662***	-0.484***	-0.665***	-0.486***	-0.661***	-0.127**	-0.658***	-0.116**
	(0.118)	(0.121)	(0.134)	(0.115)	(0.132)	(0.094)	(0.063)	(0.095)	(0.055)
MFN Tariff protection	0.035	0.041	0.030	0.039	0.029	0.034	-0.005	0.035	-0.002
	(0.027)	(0.028)	(0.037)	(0.027)	(0.038)	(0.030)	(0.015)	(0.031)	(0.014)
Special consignments	0.005	-0.004	0.001	-0.005	0.000	0.004	0.019	0.003	0.017
	(0.028)	(0.027)	(0.047)	(0.027)	(0.046)	(0.034)	(0.021)	(0.034)	(0.020)
Geography	-0.673***	-0.772***	-1.240***	-0.808***	-1.261***	-0.764*	0.306*	-0.774*	0.274
	(0.218)	(0.260)	(0.312)	(0.272)	(0.310)	(0.458)	(0.176)	(0.463)	(0.179)
Concentration	0.001**	0.001**	0.002*	0.002**	0.002*	0.002	0.000	0.002	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Elasticity	-0.008	-0.006	0.010	-0.010	0.008	-0.006	0.018	-0.005	0.022*
	(0.012)	(0.013)	(0.012)	(0.012)	(0.012)	(0.017)	(0.011)	(0.018)	(0.012)
Firm Size	-0.025	-0.028*	0.001	-0.030*	-0.000	-0.027	-0.014	-0.026	-0.011
	(0.017)	(0.016)	(0.016)	(0.017)	(0.016)	(0.017)	(0.010)	(0.018)	(0.010)
Constant	0.672***	0.696***	0.195	0.721***	0.209	0.688***	0.096	0.679***	0.066
	(0.158)	(0.146)	(0.152)	(0.142)	(0.159)	(0.144)	(0.071)	(0.148)	(0.067)
Observations	146	146	146	146	146	146	146	146	146
Kleibergen-Paap rk Wald F statistic	11.700	5.810	5.813	3.91	3.91	6.280	6.227	4.84	4.84

Notes: Standard errors are shown in parentheses; * p < .1; ** p < .05; *** p < .01

Table 7: Robustness test (1): Ordered logit model

VARIABLES	*1*	*2*	*3*	*4*
Bimodal		2.149***	1.529*	2.032**
		(0.795)	(0.875)	(0.804)
Collective		0.221	0.426	0.478
		(0.807)	(0.831)	(0.823)
Individual		0.829	1.046	0.972
		(0.918)	(0.936)	(0.920)
Exporting	-0.175	-0.012	-0.939*	-0.342
	(0.312)	(0.323)	(0.538)	-0.279
*Bimodal*Exporting*			1.409**	0.473
			(0.672)	-0.36
Political Representation	0.919***	0.279		-0.940
	(0.331)	(0.354)		(0.764)
*Bimodal*Political Representation*				1.564*
				(0.872)
MFN Tariff protection	-0.356	-0.323	-0.298	-0.342
	(0.240)	(0.264)	(0.259)	(0.265)
Special consignments	1.162***	0.953***	0.929***	0.984***
	(0.264)	(0.302)	(0.295)	(0.303)
Geography	7.191	5.003	4.614	5.102
	(4.709)	(4.944)	(4.835)	(4.965)
Concentration	-0.024*	-0.006	-0.005	-0.009
	(0.014)	(0.015)	(0.015)	(0.015)
Elasticity	0.637***	0.616***	0.620***	0.566***
	(0.202)	(0.197)	(0.198)	(0.199)
Firm Size	-0.294	-0.320*	-0.375**	-0.288
	(0.184)	(0.182)	(0.184)	(0.180)
/cut1	-1.620	-1.300	-2.188	-1.218
	(1.180)	(1.346)	(1.398)	(1.344)
/cut2	-0.030	0.504	-0.352	0.611
	(1.134)	(1.309)	(1.357)	(1.307)
/cut3	0.828	1.519	0.697	1.669
	(1.133)	(1.307)	(1.349)	(1.306)
/cut4	1.901*	2.718**	1.925	2.895**
	(1.143)	(1.321)	(1.355)	(1.321)
/cut5	2.931**	3.798***	3.016**	3.986***
	(1.152)	(1.331)	(1.361)	(1.331)
/cut6	4.102***	5.004***	4.232***	5.193***
	(1.180)	(1.350)	(1.377)	(1.350)
Observations	146	146	146	146

Notes: Standard errors are shown in parentheses.
* p < .1; ** p < .05; *** p < .01
/cut are the cut points

APPENDIX

Variables and Survey questions

Variable	Survey Question
Perceived lobbying effectiveness	*How successful would you rate a typical firm in your sector in lobbying the government for trade policy influence?* (1 = Not Effective, 2 = Moderately Effective, 3 = Effective, 4 = Very Effective).
Lobbying vs. No Lobbying	*Does your firm undertake activities for lobbying the government for trade policy?* (Yes = 1, No = 0)
Collective Lobbying	*Is your firm a member of a producer or trade association that undertakes collective lobbying? If yes, Was your firm active in lobbying in the last year through associations?* (Yes = 1, No = 0)
Individual Lobbying	*Was your firm active in direct lobbying in the last year?* (1 = Active, 0 = Not Active).
Exporting	*Does your firm engage in exporting?* (Yes = 1, No = 0)
Political Representation	*Are the interests of your sector represented by any ministry?* (Yes = 1, No = 0)
Firm size	*What is the size (number of workers) of your firm?*
MFN tariff protection	*How active would you say your firm was in lobbying with regard to the following: MFN Tariff Protection?* (1 = Not active, 2 = Moderately active, 3 = Fairly Active, 4 = Very Active).
Special consignments	*How active would you say your firm was in lobbying with regard to the following: Special Consignments?* (1 = Not active, 2 = Moderately active, 3 = Fairly Active, 4 = Very Active).