Political Imperatives And Firm-Level Political Activities: A Study Of U.S. Multinationals

Bruce D. Keillor, (E-mail: keillor@uakron.edu), University of Akron
Dale Lewison, (E-mail: lewison@uakron.edu), University of Akron

Abstract

The existence of political threats, also known as "political imperatives", represents one of the key distinctions between home country and international operations. At the same time, little published research exists which addresses how firms deal with these types of threats. This study explores the types of political activities firms use when faced with particular political imperatives. The findings show that firm-level political activities vary depending upon the form of political imperative faced by the firm.

1.0 Introduction

In international operations elements of the non-market environment such as politicians and government agencies, and the various regulations, restrictions, and policies these groups create, define the rules of business within any particular market making them crucially important in determining a firm's success (Baron 1995). The existence of these various threats, also known as "political imperatives" (Ring, Lenway, & Govekar 1990), represents one of the major distinctions between domestic and non-domestic, or international, operations. While a large body of research exists dealing with international business issues related to market activities, much less exists which addresses firm strategy targeted at the non-domestic, non-market environment (Boddewyn 1988). The international business environment is potentially fraught with political impediments to operations but little is known as to how firms deal with these threats. This suggests that research which addresses the conditions under which a firm might employ political activities, and the form(s) those activities might take, would be valuable in both understanding the activities of firms outside of the traditional marketplace as well as providing insight into what might be considered the best means of dealing with specific forms of political threats.

The purpose of this study is to explore the types of political activities firms utilize when faced with specific forms of political imperatives. While one course of action open to firms when faced with political threats is to adjust and adapt operations to conform to the given regulation or policy, experience has shown that, in their domestic market, U.S. firms often take a more proactive approach an attempt to actively manage, or eliminate, such sources of risk (Shaffer and Hillman 2000). Further, Boddewyn (1988) suggests that these same firms take a similar approach in their international operations. Unfortunately, to date very little empirical research has dealt with this issue in the international business literature. By matching 12 of the most common political imperatives encountered by U.S. firms with 8 of the generally accepted political options available to individual firms, this research represents a first-step in better understanding the means by which individual businesses attempt to manage political threats encountered in their international operations.

2.0 Political Imperatives and Firm-Level Political Activities

2.1 Political Imperatives

Government policies and market imperfections have long been recognized as an issue of primary concern in international business (Boddewyn 1988; Brewer 1993; Hamel and Prahalad 1983). These market imperfections, created by government policies, are considered to be deviations from an environment that would most typically be

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characterized as "free market". That is, these politically-associated imperfections, or political imperatives (Ring, Lenway, and Govekar 1990), either directly or indirectly inhibit the flow of goods and services between two markets or somehow otherwise interfere with the operations of firms operating between markets. Brewer (1993) suggests that a wide range of political imperatives affect a given firm's strategy decisions and the actual effects of these imperatives may vary from firm-to-firm. Therefore, firms must consider what form of political imperative may represent a threat to its international operations and then select the appropriate activity to employ in managing that threat.

Chakravarthy and Perlmutter (1985) define political imperatives as the threat which results from a host nation's "desire and ability to control market access". These political imperatives can take a variety of forms (Friedman and Kim 1988) but have generally been agreed to fit into one of two broad categories (Ring, Lenway, and Govekar 1990; Root 1972). The first, transfer restrictions originating from either the home or host nation, inhibit the flow of products. For example, tariffs, quotas, and various local product content and local standards would all be considered host nation transfer restrictions while a home nation transfer restriction might be regulations forbidding the export of certain types of technology on national security grounds. The second, ownership/control restrictions, would be directed at the firm's ability to freely make business/operational decisions in a given market (e.g. forced joint ventures, local ownership requirements, etc.) or the ability of the firm to profit from its operations in that market (e.g. restrictions of revenue repatriation).

Ring, Lenway, and Govekar (1990) present a comprehensive framework of the various specific types of political imperatives a firm might encounter in international operations. These authors (Ring, Lenway, and Govekar 1990) provide a list of political imperatives faced by firms using three categories: host country, home country, and international. Host country imperatives originate in the host market as a results of political activity, home country imperatives originate in the firm's domestic market but affect its international operations, and international imperatives are the result of conflict between countries. Table 1 provides a list of these various political imperatives using the Ring, Lenway, Govekar (1990) framework.

Table 1
Political Imperatives

Host Country:		
*Countertrade restrictions	*Import/export regulations	*Import restrictions
*Boycotts	*Currency restrictions	*Local content restrictions
*Export requirements	*War and revolution	*Nationalization/expropriation
*Protests, strikes, riots	*Terrorist attacks	*Indigenization
*Environmental standards	*Pressure for joint ventures	*Divestment pressure
*Local ownership requirements		
Home Country:		
*Countertrade	*Export requirements	*Taxation
*Import restrictions	*Loan restrictions	*Technology transfer controls
*Use of embargoes	*Price/wage controls	*Production controls
*Licensing requirements	*Divestment pressure	
*Foreign Corrupt Practices Act enforcement		
International:		
*War	*Foreign policy disputes	*Trade wars
*Blockades	*Embargoes	

Thus, political imperatives, regardless of the form they take, represent barriers to firms' international operations. However, unlike barriers to success such as competitive forces, political imperatives originate from non-market sources and, as such, must be dealt with through non-market, or political, activities.

2.2 Firm-Level Political Activities

Mahon (1989) defines corporate political strategy as the use of organizational resources to integrate market and non-market objectives and to engage in systematic actions targeted at the political, social, and legal environment in order to gain advantage, permanent or temporary, and influence other participants in the process. Thus, market strategy involves a pattern of actions taken in the market environment in order to create value by improving economic performance (e.g. entering a new market), while non-market strategy involves a pattern of actions taken in the non-market environment to create value by improving overall performance such as the removal of trade barriers in another market (Baron 1995). The purpose of non-market strategies is to shape the market environment (Baron 1995) and enable firms to "[write] the rules of the game" (Baron 1995, p.75).

Corporate, or firm-level, political behavior, on the other hand, involves the means by which firms interact with targets in the non-market environment (Boddewyn 1988; Getz 1997). Once a firm has a developed strategy, it is then necessary to determine the tools and mechanisms by which goals of the strategy will be achieved. In the market environment, strategy might be implemented through tools such as advertising whereas in the non-market environment a variety of possibilities (e.g. PACs, lobbying, etc.) may be chosen.

The final piece of the progression (i.e. political strategy □ firm-level political behavior □ corporate political action) involves the firm engaging in the actual activity. In other words, political strategy is the plan, political behavior is the chosen tool(s), and political action is the implementation. Getz (1997) defines corporate political action as "any deliberate firm action intended to influence government policy or process' [p. 32]. Thus, corporate political behavior and corporate political action are tied together as the commitment to devote resources to political activities such as PACs, lobbying, industry alliances, etc. and is presumably closely followed by actual use of these tools.

The entire political process is engaged in by firms to address perceived threats, both current and potential, and take advantage of present and future opportunities. Dependency Theory suggests political activities, at the firm level, occurs wherever a problem in the market might exist and/or where a firm is dependent upon the market for success (Getz 1997). In the realm of international operations this would mean the potential for such problems would be greatly increased, over more domestically-focused operations, given the variety of political boundaries which demark the various markets around the world. Adopting this perspective, political activities become another means by which firms can achieve their objectives and are employed when the perceived benefits, i.e. the ability to manage the non-market environment, outweigh the costs in terms of redirecting resources away from market operations toward non-market activities.

Firm-level political activities, or behaviors, are generally considered to consist of those activities through which a firm and various players (e.g. politicians, civil servants, special interest groups, opinion leaders, etc.) interact in the political environment (Boddewyn and Brewer 1994; Keim 1981). Typically, firms have a wide-range of political tactics available to them including financial contributions, the supplying of information, and constituency campaigns (Rehbein and Lenway 1994). In classifying the political behaviors of business organizations, four basic categories emerge: 1) home and host country lobbying, 2) public/government alliances, 3) industry alliances and associations, and 4) political inducements and contributions. Each of these firm-level political behaviors have unique characteristics (Keillor, Boller, and Ferrell 1997).

Lobbying, whether conducted in the host or home country, involves contact between the firm and elements within the political environment, such as facilitators or decision makers, which is initiated through a third-party intermediary (Clawson, Neustadl, and Scott 1992). Alternatively, lobbying can also take the form of constituency programs where various publics (e.g. shareholders) are organized in an attempt to influence policy makers (Baysinger, Keim, and Zeithaml 1985). Regardless of the means through which lobbying activities are implemented and targeted, this particular type of political activity on the part of the firm is unique in that it involves the use of a "go-between" to represent the desires of the firm within the political environment in the firm's efforts to manage political risk and is designed to address a specific issue.

Public and government alliances differ from lobbying in that they are long-term and tend to be directed at more strategic goals. Public relations or constituency building has a "pull" focus in that it attempts to co-align the goals of the firm with the best interests, real or perceived, of key segments in the general populace. For example, firms desirous of tax benefits being attached to a project which involves a large portion of FDI (foreign direct investment) may publically communicate the employment benefits of the new operation to the public in an effort to influence the decision-making process. On the other hand government relations, whether with governmental agencies or individuals, can be characterized as having more of a "push" focus. Cultivating close relationships with elements in the political environment through a co-alignment of interests, or absorption (Ring, Lenway, and Govekar 1990), can positively effect a firm's ability to proactively control the political environment thereby reducing political risk and improving firm performance (Hillman, Zardkoohi, and Bierman 1999).

Politically-based industry alliances or associations are unique in that they involve the banding together of at least two firms, which might otherwise be considered to be competitors, in an effort to manage current or potential political risks (Astley 1984). In some circumstances, firms conclude that their individual ability to influence the political environment is not substantial enough to achieve the desired result.

The effectiveness of industry alliances is partially dependent on structural attributes, market concentration, size, and profitability (Rehbein and Lenway 1994). Magat, Krupnick, and Harrington (1986) provide empirical evidence for this in their study which found that strong industry alliances are more likely to have less stringent Environmental Protection Agency (EPA) standards. Forming an alliance with other organizations in the same industry, or with similar objectives, significantly increases the resource base which can be directed toward dealing with problems in the political environment. However, while such combinations provide individual firms with a wider range of resources on which to draw, they may reduce firm-specific advantages as successful programs tend to produce "level playing fields" which opens the market to all non-domestic competitors. Rehbein and Lenway (1994) argue that when industry leaders are significant exporters, participation in organizational alliances for such purposes may actually conflict with their strategic objectives.

The last basic category of political activities, or behaviors, available to individual firms is inducements and contributions. At the most base level, these may be offered to individuals in the form of bribes or other gifts. Alternatively, they may be an attempt on the part of the firm to actively promote advantages, such as political contributions which may be gained by dealing with the firm. It is also possible that an incentive may benefit a group within a given society rather than an individual(s) (Boddewyn 1988). For example, to many nations one of the primary drawing cards of FDI is the possibility of obtaining hard currency and furthering local economic development. Individual facilitating agents and government policy makers can be targeted through such a societally-oriented incentive approach if the firm can successfully convince these players that their individual goals will be furthered when they are identified with obtaining benefits for society at large. Empirical evidence supports the notion that firms can effectively use contributions to influence political outcomes (Hall and Wayman 1990; Quinn and Shapiro 1991). Rehbein and Lenway (1994) have directly tied campaign contributions made to individual members of the International Trade Commission (ITC) with actions on the part of this commission directed at investigating escape clause behavior by foreign competitors.

Current published literature shows that politics are an important piece of the strategic mix for international firms when compared to other elements such as financial resources, personnel, and intelligence/research information sources, that a wide range of potential political tools are available to most firms, and that these activities can be applied both reactively and proactively. Further, empirical support exists for the proposition that firm-level political behavior positively affects firm value (cf. Hillman, Zardkoohi, and Bierman 1999). At the same time, there is little published research in international business which deals with the issues related to particular political threats and the political behaviors employed by individual firms to deal with these threats. This study addresses this gap by matching specific political imperatives with firm-level political activities.

3.0 Methodology

The data for this study was collected using a mailed survey instrument targeted at U.S. multinational firms drawn from the *Standard and Poor's Corporate Directory* following the procedure suggested by Kwon and Konopa (1993). In all, 1404 questionnaires were mailed to potential respondents of which 170 completed, usable instruments were returned. The survey instruments were specifically directed toward executive-level decision makers (Kwon and Konopa 1993; Hamel and Prahalad 1983) capable of accurately commenting on their firm's use of political activities at the strategic level and the role of these activities in the firm's overall international operations. Examples of respondent titles include: VP/Director of International Operations, Marketing, Strategic Planning, International Marketing, Public Affairs, Government Relations, etc. Only instruments in which the respondent identified themselves as an executive decision maker, as reflected in their title, were used in the study.

In addition, a test for non-response bias was also performed. In order to investigate the possible existence of this bias a time trend extrapolation test was utilized (Armstrong and Overton 1977; Frazier and Rody 1991). This test operates under the assumption that "early" and "late" responders during a survey period are not significantly different. The fewer the differences between these groups the more likely the validity of the data is not adversely affected by potential non-response bias. The non-response test was conducted by combining the first and last quartile of respondents into an early and late category. Pairwise comparisons were then conducted across a variety of firm characteristics to determine if any significant differences existed. No significant differences were detected based on the firms' years of involvement in international markets, annual sales, company age, domestic industry position, international industry position, or percentage of resources allocated to international operations suggesting a non-response bias did not exist in terms of firm characteristics.

The survey instrument was comprised of two scales. One scale was designed to ascertain the various political imperatives faced by responding firms and the other to measure the extent to which the responding firms utilized specific political activities to manage these imperatives. In the case of the former, the framework set forth by Ring, Lenway, and Govekar (1990) was used along with supplemental material from other existing research (cf. Hillman, Zardkoohi, and Bierman 1999). In the case of the latter, relevant political activities were specified using those identified by Baysinger (1984) and Boddewyn (1988). As an additional check for the relevance of each item, a limited number of interviews were conducted with executives who generally agreed the questionnaire addressed the most likely political risks associated with international operations.

As previously discussed, political imperatives can be broadly defined as falling into one of two categories: 1) host/home country transfer restrictions, and 2) ownership/control restrictions. Using existing literature (eg. Ring, Lenway, and Govekar 1990), five host country transfer restrictions, three home country transfer restrictions, and five ownership/control restrictions were identified as being of primary relevance to a majority or respondents. These five host country transfer restrictions were: 1) import restrictions; 2) product content restrictions; 3) environmental standards; 4) currency restrictions; and 5) revenue expropriation threats. Home country transfer restrictions were specified three different ways: 1) restrictions placed on firms operating abroad; 2) export regulations; and 3) restrictions on countertrade. Finally, ownership/control restrictions comprising this section of the survey instrument were: 1) nationalization; 2) forced joint ventures; 3) divestment pressure; 4) local ownership requirements; and 5) indigenization. In the case of each form of potential political risk, respondents were asked to indicate the extent to which they represented a serious operational impediment using a Likert-type scale (alpha = .8994) ranging from 1 (no threat) to 6 (substantial threat).

The second construct measured the extent to which eight political activities are considered important for reducing each of the political threats. These eight firm-level activities, or behaviors, were: 1) host country lobbying; 2) home country lobbying; 3) public relations; 4) industry alliances; 5) inducements; 6) political contributions; 7) relationships with government agencies; and 8) relationships with government officials (Boddewyn 1988; Brewer 1992). As was the case with political risk factors, a Likert-type scale (alpha = .8632) ranging from 1 (not important) to 6 (very important) was utilized. No universally accepted survey instrument exists for measuring political activities at the firm level. However, based on current research (cf. Hillman, Zardkoohi, and Bierman 1999; Boddewyn and Brewer 1994), and following consultations with business executives, it was determined that these eight activities represent the viable options available to firms who choose to engage in political behavior(s).

The data was analyzed using a two-step process. First, responding firms were divided into high and low groups across the 12 specified political imperatives based on the extent to which each of the imperatives were reported as being problematic by the individual firm. Statistical comparisons were then conducted across the eight identified firm-level political activities to determine which, if any, of these activities firms employ when faced with high levels of a particular imperative. Table 2 provides these results.

4.0 Results

As previously discussed, the political imperatives faced by the responding firms can be broken into two basic categories: those originating in the home country and those identified with the host country. The results show that of the 12 identified political imperatives, 3 are associated with the former and 9 with the latter. In the case of this study, all the home country imperatives are identified with the U.S. market as the responding firms in the sample were U.S. multinationals. The three home country political imperatives specified in this research were home government restrictions on international operations, home government restrictions on countertrade, and home government export regulations.

When faced with home country government restrictions on international operations, U.S. multinationals appear to be amenable to employing a wide range of political activities in order to forestall, absorb, or otherwise manage this particular type of imperative. In the case of such operational impediments, the firms responding in this study report attaching significant levels of importance to all eight of the specified firm-level political activities. The use of a large variety of activities is likely in keeping with the varied forms in which such operational impediments may be manifested. However, one noteworthy results does emerge from this analysis. That is, the reported use by U.S. multinationals of host country lobbying is dealing with home country operational restrictions. Preliminary results seem to indicate that in some instances U.S. firms will use political influences from inside the host country to try and manage home country operational threats. This would suggest not only a certain level of sophistication on the part of U.S. multinationals in operating in the non-domestic political arena, it also may indicate the degree to which markets around the world are intertwined and that different political environments may not exist as separate and distinct marketplaces from the perspective of the individual firm.

Moving to home government restrictions on countertrade, two of the political activities were shown to be significant: public relations (PR) and political contributions. What makes this result of potential interest is the close ties these two particular activities have to the voting and election process. PR activities are generally seen as "pull" in nature. They involve drawing the attention of a particular group(s), or society in general, to a certain issue. The objective is to raise awareness, and presumably the propensity to action, of the targeted group(s) so that they "pull" the desired outcome through the process by exerting pressure on the players (e.g. politicians) involved in the process itself. Similarly, political contributions to individual candidates or a specific party can also serve a "pull" function in that the recipient of the contribution is then expected to move the desired outcome through the political process. In return the recipient receives resources, in the form of contributions, which can be used to assist in the election/re-election process.

It may be that the nature of countertrade restrictions are closely tied to the interests of voters. By definition, countertrade involved the exchange of goods and services for other goods and services. Not only does such a transaction benefit the firm in question it clearly has a direct benefit to individual employees. Where monetary transactions are viewed as "corporate profit", countertrade activities involve the exchange of product which is directly tied to the production of workers and other firm employees. Therefore, there is a clear benefit connection between individual employees, who are also voters, and the countertrade transaction. Thus, whether the activity involves a direct appeal to these individuals through a PR campaign, or an indirect appeal by drawing attention to the efforts being undertaken by a political figure which benefits them, public relations and political contributions bring the public at large, in their role as voters, into the equation.

Table 2	
Political Imperatives and Associated Political Activities	
Political Imperative	**Associated Firm-Level Political Activity**
Home Government Restrictions on International Operations	* Home Country Lobbying (t= 2.338; p<.01) * Host Country Lobbying (t= 2.494; p< .00) * Industry Alliance (t= 2.186; p< ..01) * Political Contributions (t= 3.672; p< .00) * Relationships w/ Government Officials (t= 2.144; p< .01) * Inducements (t= 2.042; p< .02) * Public Relations (t= 2.012; p< ..02) * Relationships w/ Government Agencies (t= 1.976; p< .02)
Home Government Restrictions on Countertrade	* Public Relations (t= 1.615; p< .05) * Political Contributions (t= 1.972; p< .02)
Home Government Export Regulations	NONE
Host Government Import Regulations	* Host Country Lobbying (t= 1.704; p< .04) * Industry Alliances (t= 1.891; p< .03) * Inducements (t= 2.164; p< .01) * Political Contributions (t= 2.873; p< .00)
Host Government Restrictions on Revenue Repatriation	* Industry Alliances (t= 2.438; p< .00)
Local Product Content	* Host Country Lobbying (t= 1.979; p< .02) * Industry Alliances (t= 3.392; p< .00) * Inducements (t= 2.418; p< .00)
Host Government Nationalization Threat	* Home Country Lobbying (t= 2.279; p< .01) * Host Country Lobbying (t= 2.911; p< .00) * Industry Alliances (t= 3.892; p< .00) * Political Contributions (t= 2.640; p< .00) * Relationships w/ Government Officials (t= 2.445; p< .00)
Host Government Expropriation Threat	* Home Country Lobbying (t= 2.059; p< .02) * Host Country Lobbying (t= 2.116; p< .01) * Industry Alliances (t= 4.297; p< .00) * Political Contributions (t= 1.978; p< .02) * Relationships w/ Government Officials (t= 1.895; p< .03)
Host Government Standards Threat	* Industry Alliances (t= 4.579; p< .00) * Relationships w/ Government Agencies (t= 1.907; p< .02) * Political Contributions (t= 1.711; p< .04)
Forced Joint Ventures	* Home Country Lobbying (t= 2.325; p< .01) * Host Country Lobbying (t= 3.415; p< .00) * Industry Alliances (t= 3.043; p< .00) * Inducements (t= 2.791; p< .00)
Host Government Divestment Pressure	* Home Country Lobbying (t= 2.068; p< .02) * Host Country Lobbying (t= 2.093; p< .01) * Industry Alliances (t= 4.373; p< .00)
Local Ownership Requirements	* Home Country Lobbying (t= 1.700; p< .04) * Host Country Lobbying (t= 2.804; p< .00) * Industry Alliances (t= 2.397; p< .01) * Inducements (t= 2.214; p< .01) * Relationships w/ Government Officials (t= 2.345; p< .01)

The final home country imperative, home government export regulations, had none of the eight political activities with which it was significantly associated. This is not surprising given the actual level of home country export regulations reported by the responding firms. While the 12 political imperatives were identified in preliminary research as being those which most concerned firms in their international operations, the mean score for home country export regulations was 2.35 on a six-point scale where 1= no threat to 6= substantial threat. Thus, if home country export regulations are not viewed as much of a threat by the firm it is not likely these same firms will allocate resources to political activities designed to deal with such an impediment to international operations.

Moving to the political imperatives that originate in the host market a number of noteworthy results were obtained. Of the 12 political imperatives identified as being particularly problematic in the preliminary research 9 were associated with host markets. The first of these was host government import regulations where four political activities were specified by responding firms as being important under high levels of such impediments. Generally import regulations are seen as impeding the flow of goods, rather than as direct threats to a firm's profitability. The four significant activities were: host country lobbying, industry alliances, inducements, and political contributions. The use of industry alliances would seem to be an appropriate activity as host country import regulations are frequently targeted at particular types, or categories, of products which would represent a threat to all members of a given industry. The other three identified activities tend to be more firm-specific and transactional in nature. This might suggest that some import regulations which originate in the host market may not necessarily be the result of high level policy but rather are the result of low level regulations and/or the interpretation/implementation of higher level trade policies which can be quickly and quietly addressed through interaction between the firm and the appropriate political decision maker.

The next imperative, host government restrictions on revenue repatriation, differs from import regulations in that such a threat is targeted not at the movement of goods but rather at the ability of the non-domestic firm to move profits obtained in the host market out of that economy. Under this type of threat, the responding U.S. multinationals reported one form of political activity to be most important; industry alliances. Likely the explanation for the use of this form of political activity is two-fold. First, the inability to remove all, or part, of revenues obtained in a particular host market would likely impact groups of firms such as all those from a single nation or, alternatively, all those in a given industry. Thus, it would be a common threat leading making it more likely that targeted firms would band together to remove the threat. Further, the removal of revenue repatriation restrictions would not lead directly to competitive advantage but rather would make aspects of competitive advantage (e.g. distinctive product competencies) associated with individual firms more important. Finally, the use of industry alliances would enable participating firms to bring the maximum amount of resources to bear on the problem making a quick resolution more likely in a situation where profits are directly threatened.

Local product content restrictions are unique in that these impediments are directed at the means by which the firm both participates in, and profits from, activities within a market. Generally, local product content restrictions fall into one of two broad categories. The first would be requirements which relate to the proportion of host country labor-related inputs in the product and the second would be related to the proportion of local materials contained in the product. As was the case with the previous political imperatives, these content laws frequently affect industries rather than individual firms resulting in the use of industry alliances. Actual content is also subject to interpretation as evidenced in the U.S. automobile market which may explain the emphasis on host country lobbying and inducements.

A similar impediment involves threats related to host government standards. These do not directly stipulate local product content proportions but related to product components, ingredients, and performance. Under conditions of host government standard threats, firms again reported using the resource-heavy activity of industry alliances in addition to political contributions, presumable targeted at those in charge of creating policies related to standards, and relationships with government agencies, presumably targeted at the enforcing government body.

The next two host country political threats, nationalization and expropriation, are similar in that they are generally targeted at non-domestic firms which have been established within that host market for a period of time and, presumably, been successful in generating revenue. The nature of these threats is related to the ownership and/or control of the firm(s). As might be suspected in such a situation firms faced with these threats, or the potential of such threats emerging, direct appeals in the form of host country lobbying and political contributions are employed as was the case when the firm's home government interfered with firm operations.

Similarly, when faced with nationalization or expropriation, the substantial resources which industry alliances represent are also brought to bear as is the case in almost all the political imperatives investigated in this study. At the same time, two other firm-level political activities also emerge as significant: home country lobbying and relationships with government officials. In the case of the former, the use of home country political influence to try and manage such ownership/control threats may be an indication of the seriousness of these threats to the individual firm in question. Further, this is supported by the firms attempting to establish long-term relationships with government officials, an activity generally associated with absorption or the creation of mutual benefits for the firm and the official (Ring, Lenway, and Govekar 1990).

The next two types of political imperatives also involve ownership/control threats originating in the host market. However, where nationalization and expropriation typically are associated with direct host government ownership/control of the targeted firm, forced joint ventures and local ownership requirements are often indirect government ownership/control activities whereby the host government requires local firms and/or organizations to be directly involved in the ownership or management of the non-domestic firm's operations in that market. In both situations, the responding firms reported the use of lobbying, home and host country, industry alliances, and inducement. The only reported difference in the way in which firms deal with these two types of threats was in the case of local ownership requirements where relationships with government officials were also cited as an important activity by responding firms.

The final political imperative investigated in this research was host government divestment pressure. In some circumstances, established non-domestic firms are pressured to leave a given host market. This may be for a variety of reasons, including: socially irresponsible behavior on the part of the firm, a presence which is detrimental to local firms, or for political reasons not directly related to the firm itself such as acrimonious relations between the host and home country. When faced with the threat of being forced from a host market firms reported using lobbying efforts in both their home and host country in an attempt to directly appeal to political decision makers as well as employing industry alliances.

5.0 Managerial Implications

The implications of this study for managers seem clear. From the perspective of U.S. firms, the use of political activities on the part of individual firms is an important component of their international business strategy. Further, depending upon the circumstances these firms face, particularly related to the type of political imperative which may exist in a given market, the political activity(s) employed may vary. Every one of the eight generally accepted firm-level political behaviors are considered to be important by U.S. firms operating abroad, but not always under the same conditions.

Based on the data in this study, it appears that one political activity which is unavoidable for firms operating in non-domestic markets is that of lobbying. Whether the lobbying is targeted within the host or home country, eight of the twelve political imperatives identified as being particularly problematic by the respondents were significantly associated with one, or both, forms of lobbying. This suggests that a firm would be well advised to retain the services of such a contact point in order to deal with any current, or anticipated, political threats. This finding should be somewhat heartening to small- and medium-sized firms as lobbying is one the least resource-dependent firm-level political activities.

Similar to lobbying, the other political activity which was associated with a wide-range of political imperatives was participation in an industry alliance; being significantly tied to 10 of the 12 imperatives specified in this study. Only in the case of home government restrictions on countertrade and home government export regulations were industry alliances not significant. Industry alliances are characterized by their unique ability to bring a large and varied amount of resources to bear on a particular issue. Industry alliances are capable of achieving what individual firms often cannot, either through the form of bundled campaign contributions, large blocks of voters, or just the simple economic impact the industry has on an economy. This finding should also be encouraging to firms with relatively few resources to devote to political activities as participation in an industry alliance typically does not require a large resource base. Although industry alliances are generally identified with "level playing field" achievements which do not result is a distinct competitive advantage for any single firm, they are associated with the ability to remove threats which impede the flow of product or otherwise inhibit free-market activities. Thus, participation in an industry alliance may enable a firm to exploit traditional means of gaining competitive advantage (i.e. distinctive product competencies) and avoid becoming more involved in gaining competitive advantage through the use of more resource-dependent political activities.

6.0 Suggestions for Future Research

The results of this study present several interesting findings related to the use of political activities by individual firms in their attempts to more effectively operate in an international environment. At the same time, these results also raise several areas of future research opportunities which would both build on the present study as well as adding to the existing body of literature.

One potentially fruitful area would be to more deeply explore the firms' use of employment of each political activity. The present research deals with these activities and the associated circumstances, as represented by the specified political imperatives. In would be valuable both in an academic, as well as a managerial, sense to consider issues related to why a particular form of activity, or activities, is selected over the other available options when a firm is faced with a particular political imperative. By gaining a better understanding as to what might cause a firm to select one form of political activity over another it may be possible to develop frameworks that enable firms to select the political activities which best fit a particular set of circumstances and the firm's capabilities.

A second area which must receive greater attention in the future involves the relationship between the use of political activities and firm performance. While some initial research has been published in this area for firms involved in political activities as a part of their domestic operations (cf. Shaffer, Quasney, and Grimm 2000) there are no studies currently in print which deal with this relationship in international operations. Clearly, one of the most important issues which must be addressed if this area of research is to be fully developed is that of the relationship political activities, on the part of the firm, and firm performance. Being able to link political behavior positively with performance will help to demonstrate the need to include non-market activities in the overall strategy of individual firms and, when extended to the potential tie between specific firm-level political activities and firm performance, provide a firm foundation for the development of an effective political strategy on the part of a single firm.

A third important potential stream for future research can be found in the relationship between firm characteristics and the individual political activities. For example, to what extent is the use of a full-range of political activities by individual firms resource-dependent? Are particular areas of expertise within a firm associated with being able to effectively employ a given activity? To this point, it has generally been assumed that the more resources available to a firm, the more likely it is to engage in political activities. Firms with few resources to devote to such activities are typically assumed to have only limited options, such as participating in an industry alliance.

In conclusion, this study has addressed a heretofore somewhat neglected area of international business research: the use of political activities by firms in dealing with political imperatives faced in their international operations. While a number of interesting and valuable results were obtained, the research is not without certain limitations. Several of these shortcomings have been addressed in the discussion above relating to future research opportunities. Perhaps the most glaring limitation, however, is the focus on U.S. firms. There is a wealth of potential research in the various comparisons which could be made between U.S. firms and firms from other nations and regions in the context of the relationship between international operations and firm-level political activities. This, and other limitations notwithstanding, the findings contained here do provide a good first step in understanding firm's use of political activities, and the conditions under which these activities are employed, in their international operations.

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