

ePub^{WU} Institutional Repository

Phillip C. Nell and Jonas Puck and Stefan Heidenreich

Strictly Limited Choice or Agency? Institutional Duality, Legitimacy, and Subsidiaries' Political Strategies.

Article (Accepted for Publication)
(Refereed)

Original Citation:

Nell, Phillip C. and Puck, Jonas and Heidenreich, Stefan (2015) Strictly Limited Choice or Agency? Institutional Duality, Legitimacy, and Subsidiaries' Political Strategies. *Journal of World Business*, 50 (2). pp. 302-311. ISSN 1090-9516

This version is available at: <http://epub.wu.ac.at/4950/>

Available in ePub^{WU}: March 2016

ePub^{WU}, the institutional repository of the WU Vienna University of Economics and Business, is provided by the University Library and the IT-Services. The aim is to enable open access to the scholarly output of the WU.

This document is the version accepted for publication and — in case of peer review — incorporates referee comments. There are minor differences between this and the publisher version which could however affect a citation.

Strictly Limited Choice or Agency?
Institutional Duality, Legitimacy, and Subsidiaries' Political Strategies

Phillip C. Nell ^{a,b}, Jonas Puck ^{a,*}, Stefan Heidenreich ^a,

^a *WU Vienna, Institute for International Business, Welthandelsplatz 11, 1020 Vienna, Austria*

^b *Copenhagen Business School; Department of Strategic Management and Globalization, Kilen building,
Kilevej 14, 2000 Frederiksberg, Denmark*

* Corresponding author. Tel.: +43 1 31336 4318; Fax: +43 1 31336 904318; E-Mail: jonas.puck@wu.ac.at

Abstract

This article analyzes political strategies of MNC subsidiaries in emerging markets. We find that institutional pressures from public and private non-market actors in the emerging market lead to increased political activism. Furthermore, we find that these relationships become stronger, when the external pressures are joined by strong firm-internal pressures. Our findings contribute to the scarce literature on firms' political strategies in emerging markets. They also support recent criticism of institutional theory's strong focus on isomorphism as the most important legitimacy-conveying mechanism. We argue that the isomorphism-based either-or logic gives way to stronger agency of the subsidiary and to a logic of active negotiation and social construction of the subsidiary's legitimacy in the emerging market. Our findings show support for this idea as political activism is one such way how the subsidiary's legitimacy can be built and nurtured.

Keywords: Political strategies, institutional theory, emerging markets, MNC subsidiaries

Strictly Limited Choice or Agency?

Institutional Duality, Legitimacy, and Subsidiaries' Political Strategies

1. Introduction

Political strategies of firms are increasingly seen as important non-market elements of firm strategies, especially for multinational corporations (MNCs) (Boddeyn & Brewer, 1994; Doh et al., 2012; Hillman & Wan, 2005; Rodriguez et al., 2006; Sundaraman & Black, 1992). They can be defined as actions to affect the public policy environment in a way favorable to the firm (Baysinger, 1984). Thus, the non-market environment is not just seen as a constraint but also as a context which is susceptible to manipulation by firms (Bonardi et al., 2005; Esty & Caves, 1983; Frynas et al., 2006; Rodriguez et al., 2006).

Over the years, a number of studies have investigated antecedents and consequences of political strategies. In the context of the MNC, previous research has mainly investigated the particular non-market context of host-countries, i.e. political strategies have been analyzed on the subsidiary-level of analysis (e.g. Blumentritt & Nigh, 2002; Blumentritt, 2003; Hillman and Wan, 2005) often using institutional theory. In this research, subsidiaries are recognized to be confronted with “institutional duality” (Kostova & Roth, 2002) – institutional pressures from within the MNC and institutional pressures stemming from the particular host context in which the subsidiary is operating. In fact, there is initial empirical support for institutional duality in the context of political strategies (Hillman and Wan, 2005) in the sense that the use of political strategies is influenced by both institutional environments.

While these studies have advanced our knowledge, we claim that we need to revisit the issue of institutional duality and subsidiaries' political strategies for a number of reasons. First, we still know little about how subsidiaries react to institutional duality (Kostova et al., 2008). In fact, literature is generally scarce on organizational responses to conflicting pressures from institutional environments (Pache and Santos; 2013; Greenwood et al., 2011). The dominant idea of how organizations respond to conflicting institutional pressures seems to follow an either-or logic: The organization will adopt the practice deemed most important and reject (or only ceremonially adopt) alternative practices (Pache and Santos, 2010; 2013; Kostova et al., 2008). This either-or logic has recently been criticized. For example, Pache and Santos (2013) argue that firms can handle the duality on the organizational level (instead of on the level of individual practices) by adapting some practices to one field and others to another field. Kostova and colleagues (2008) go even further by arguing that legitimacy through isomorphism and ceremonial adoption are largely irrelevant constructs. Instead, they see a much greater role for agency and active social construction and negotiation of MNCs' legitimacy instead of

simple isomorphism. We argue that political strategies are an important vehicle for the subsidiary to negotiate and socially construct its legitimacy. However, it is unclear how institutional duality influences this behavior and if the either-or logic holds in this context.

Second, empirical evidence on the performance implications of political investments is mixed (Hillman, Zardkoobi, Bierman, 1999) with some recent studies even suggesting negative performance outcomes (e.g. Hadani & Schuler, 2013). The reasoning for worsened market and financial performance is based on the high costs of political strategies combined with a low likelihood of positive outcomes. The more critical view on political strategies calls into question if we have fully captured the antecedents of political strategies.

Third, both of the above-mentioned issues become more important in environments which are particularly complex and characterized by the emerging presence of nongovernmental institutions in addition to governmental actors, and where more diverse and rather unaligned interests coexist (Boddewyn & Doh, 2010; Peng, 2003; Peng & Luo, 2000; Teegen, Doh & Vachani, 2004). In such contexts, legitimacy is likely to be achieved through other mechanisms than isomorphism (Kostova et al., 2008). Furthermore, in such contexts performance feedback for particular political strategies is likely to be suboptimal while the market for political influence is highly contested, suggesting that positive outcomes of costly political activities are less likely. Thus, it is unfortunate that most of the previous literature on political strategies has neglected emerging markets (Elg et al, 2008; Holtbrügge et al., 2007; see also Lawton et al. 2013 for an overview) as these markets fit the characteristics of complexity and diverse, unaligned interests.

In sum, we argue that to fully understand institutional theory's explanatory power regarding subsidiaries' political strategies, we need to investigate alternative institutional mechanisms beyond mere isomorphism of practices and we need to extend our research to complex and challenging environments. Therefore, this article analyzes the political strategies of subsidiaries located in five emerging markets. We take into account institutional pressures from within the MNC and from external stakeholders. We investigate the effect of these pressures on the intensity with which the subsidiary uses political strategies, i.e. the intensity with which the subsidiary manipulates and negotiates its status aimed at the social construction of the subsidiary's acceptance and approval (and thus of their legitimacy) in the local host context.

We find that subsidiaries react to external pressures by institutional actors in the environment with an increase in political activism. Furthermore, we find that this relationship is stronger, when the external pressures are joined by strong firm-internal pressures. Thus, in situations where subsidiaries are likely to be exposed to conflicting institutional pressures simultaneously, they respond with investments into political tactics. Our findings add to the literature in various ways.

First, we add to previous work on political strategies. We join earlier work by arguing that both pressures from internal and external sources shape the intensity of political strategizing (Holtbrügge et al, 2007; Meznar & Nigh, 1995). We extend that literature by showing that both effects are interdependent and that a single focus on either internal (e.g., Bhuyan, 2000; Hansen & Mitchell, 2000) or external pressures (e.g., Hersch & McDougall, 2000; Jackson and Engel, 2003; Schuler, 1996) is less adequate.

Second, we extend recent literature on the effects of institutional conflict on firm behavior. Based on the assumption that conflicting pressures create latitude for organizations to exercise strategic choice (Kostova et al., 2008; Greenwood et al 2010; Tracey et al, 2011; Pache and Santos, 2010, 2013) we find support for a legitimacy-creating process that is different from isomorphism and ceremonial adoption (Kostova et al, 2008). Conflicting pressures are not only remedied with an either-or logic where a dominating practice is adopted and the contradicting one rejected (or ceremonially adopted). Instead, the subsidiaries in our emerging market sample react to conflicting pressures with high levels of active negotiation and social construction of their legitimacy, specifically the intense execution of political strategies.

Third, we respond to the call for investigating political strategies and institutional logics in emerging markets (e.g. Rodriguez et al., 2006; Holtbrügge et al., 2007). We add to the literature by showing that the concept of institutional duality also fits to subsidiaries' political strategies emerging markets and by providing empirical evidence that specific typologies of political strategies are transferrable across institutional contexts. Furthermore, we argue that the particular context of emerging markets enables researchers to test logics and boundary conditions of both the literatures on political strategies as well as on institutional theory.

2. Literature Background

Institutional theory is providing a rich theoretical foundation to many critical issues relevant to the MNC (Dacin, Goodstein, & Scott, 2002; North, 1990). In international management, most work has used neoinstitutional theory (DiMaggio & Powell, 1991; Meyer & Rowan, 1977; Scott, 1995) utilizing the concepts of organizational field, legitimacy, isomorphism, and mechanisms of institutional pressures. Kostova et al. (2008: 997) summarize that “*[The] neoinstitutional model essentially holds that organizational survival is determined by the extent of alignment with the institutional environment; hence organizations have to comply with external institutional pressures.*” Thus, conforming to institutional pressures leads to isomorphism which is assumed to ultimately entail legitimacy. From this perspective, legitimacy can be defined as “*a generalized perception or*

assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” Suchman (1995, p. 574). As a result of legitimacy-conveying behavior in a given organizational field, organizations that share the same field will, over time, become isomorphic with one another (DiMaggio & Powell, 1983; Baum & Oliver, 1991).

For the MNC, the situation is more complex. The MNC is, by definition, exposed to many different host contexts (and thus institutional fields) that all exert institutional pressures (Westney, 1993). The establishment and maintenance of legitimacy in multiple host-countries simultaneously is argued to be one of the most pressing issues of MNCs (Kostova and Zaheer, 1999) as conforming to one environment might require different practices than conforming to another environment.

Furthermore, Kostova and Zaheer (1999) argued that every MNC subsidiary is not only exposed to host country institutional environments, but additionally to the intra-organizational institutional field, a situation termed “institutional duality” (Hillman and Wan, 2005; Kostova and Roth, 2002; Lu and Xu, 2006). From an internal perspective, subsidiaries are exposed to intra-organizational legitimacy needs leading to pressures that arise from their parent organization (Hillman and Wan, 2005; Kostova and Roth, 2002). From an external perspective, MNC subsidiaries obtain legitimacy and acceptance of political, societal, and cultural authorities by acting in accordance to the prescriptions established by those authorities in their immediate surroundings (Heugens and Lander, 2009). In the context of subsidiary political strategies, the existence of institutional duality in the sense of simultaneous pressures from both within and outside the MNC has been confirmed. Hillman and Wan (2005: 334) state that their “*findings support the dual influence of external and internal legitimacy*”. However, they are silent on the question how subsidiaries might react to pressures that contradict each other and if internal and external pressures interact in influencing firms’ strategies and behaviors.

In fact, we know little about organizations’ reactions to conflicting institutional pressures (Pache and Santos, 2010; 2013; Greenwood et al., 2011). Most of the literature refers what we call an either-or logic: Firms confronted with conflicting isomorphic pressures identify the more legitimacy-enhancing practice and adopt it. That is, the firm conforms to the institutional pressures from the stronger institutional field and rejects alternative practices (Meyer & Rowan, 1977; Kostova & Roth, 2002). This is often combined with “ceremonial adoption” as a mechanism that can handle the conflict. Ceremonial adoption (also referred to as decoupling) can be defined as a strategy where the firm is consciously choosing to portray itself as following certain institutionalized rules while actually conducting business in different ways (Kostova et al., 2008). To this end, the literature refers to a mechanism of substitution: the less impactful institutional pressure is disregarded (except for the effort to create an image of compliance in case of decoupling) while the more critical pressure is fully followed leading to isomorphism and legitimacy.

Recently, the traditional logic of neoinstitutionalism as characterized by organizational fields, legitimacy through isomorphism, and ceremonial adoption has been criticized substantially (e.g. Kostova et al. 2008; Pache and Santos, 2010, 2013). For example, Kostova et al. (2008) argue that, at least in the context of MNCs, clear organizational fields and corresponding institutional pressures are difficult to identify. This makes the identification and adoption of the most efficiency-enhancing practices unlikely and it calls into question if isomorphism is the most important remedy to institutional challenges. As Pache and Santos (2010: 994) summarize: firms no longer “*blindly comply with institutional pressures*”. Furthermore, when conflicting demands are permanent, firms may have difficulties sustaining decoupling (Pache and Santos, 2013). Decoupling and ceremonial adoption necessitate to permanently uphold the projection of legitimate practices while actually maintaining different ones. Yet, it is unlikely that scrutiny from stakeholders is avoidable in the long run (Pache and Santos, 2012). Thus, also decoupling is unlikely to be a sustainable strategic response to conflicting pressures.

Instead of isomorphism and ceremonial adoption, more recent literature calls for different responses to competing pressures (Battilana and Dorado, 2010; Binder, 2007; Greenwood et al., 2010). These approaches generally call for more “agency”. In other words, there is more latitude for organizations to choose their responses to institutional pressures (Pache and Santos, 2013; Kostova et al, 2008). For example, firms have been found to handle permanently conflicting pressures on the organizational level instead of on the level of individual practices. Organizations would adapt some practices to one field and other practices to another field and firms have a choice in how to mix these practices (Pache and Santos, 2013). Kostova et al. (2008) in turn claim that MNCs generally rely more on other legitimacy-creating processes than isomorphism and decoupling. They emphasize that MNCs frequently have the ability to actively negotiate and influence the social construction of their status with certain stakeholders and that this is a more important mechanism to gain legitimacy. Yet, evidence on such alternative mechanisms is scarce.

We attempt to shed light on these limitations in this paper. Consistent with Kostova et al.’s. (2008) approach, we conceptualize subsidiary political strategies as an actor-specific manipulation and negotiation of the subsidiary’s status aimed at the social construction of its acceptance and approval and thus eventually of its legitimacy among non-market actors in a host country. We apply this line of thought to develop hypotheses that explain the intensity with which the subsidiary uses political strategies towards external recipients.

3. Hypotheses development

External institutional pressures stem to a large extent from non-market actors in the subsidiary’s surroundings. These can be public and private stakeholders (see e.g., Holtbrügge et al., 2007).

Public stakeholders are primarily represented by the host country government or regional administrations and governments, whereas private stakeholders consist of non-governmental interest groups. In emerging economies, governmental interferences on the market as well as on specific market actors are widespread. Tian, Hafsi and Wu (2009) found that in the case of China, national public stakeholders (governmental bodies) are important in addition to normal market forces. Similarly, the government played a crucial role in IKEA's internationalization to Russia. In its course of internationalization, IKEA founder Ingvar Kamprad visited President Vladimir Putin to discuss relevant issues, expectations, and to deepen the relationship (Elg et al., 2008). Thus, the government's impact on economic life in emerging markets is often considered substantial (Child and Tse, 2001). A possible explanation for this phenomenon is that public stakeholders not only act as policy makers, but frequently as market actors. Furthermore, state-owned or state-financed firms are often more prevalent in emerging markets (Luo, 2001; Salancik, 1979).

Private stakeholders, specifically national and international NGOs are also increasingly relevant in the context of emerging markets (Teegen et al., 2004). While rather invisible in emerging markets and thus of reduced relevance for a long time, they have gained importance in recent years as highlighted by a number of incidents. This global shift towards a stronger role of NGOs is argued to be an 'epochal power change' (Mathews, 1997; Taylor, 2002). London and Hart (2004), for example highlight the relevance of NGO activities for Monsanto's failing strategy in emerging markets and cite a manager entering an emerging market as follows: "*As one respondent noted, he was worried about 'push back from NGOs', including 'demonstrations' and claims of 'corporate imperialism.'*" (London and Hart, 2004, p. 14). Similarly, Dahan, Doh, Oetzel & Yaziji (2010) show how firms in emerging markets can benefit from cooperation with NGOs.

In emerging markets the institutional environments are still developing (Peng et al. 2008). As a consequence, the public and private stakeholder environment is much more dynamic and volatile than it is in developed or mature markets – leading to complexity of external pressures. Under such conditions, subsidiaries have difficulties maintaining their legitimacy. Therefore, they seek for measures to circumvent impacts that may negatively affect their external legitimacy and, in turn, exploit opportunities that entail legitimacy-conferring outcomes. Political strategies can be considered as one means to achieve these objectives. Firms engage in political strategies in order to achieve access to critical decision-makers in their surroundings, to actively inform them about their firms' strategies and views, to influence these actors' opinions, and to build reputation (e.g., Elg et al., 2008; Hoskisson et al., 2000; Luo, 2001; Ozer, 2010). These activities have been named as information strategies, financial incentive strategies, and constituency-building strategies (Hillman and Hitt, 1999). Each strategy type comprises several tactics such as, for instance, lobbying (information strategy), contributions to political parties (financial incentive strategy), and public relations (constituency-

building strategy). All these tactics serve the purpose of negotiating and influencing the acceptance and legitimacy of the subsidiary's practices and views among various external stakeholders in the host-country (Hillman et al., 1999).

However, these mechanisms are all expensive with unsure outcomes. They all require substantial managerial resources to define the content and timing of the tactic while maintaining fit with the overall market strategy. Furthermore, many such activities are not clearly related to positive outcomes. Lobbying, public relations, and contributions to parties can all be ineffective (Keim and Baysinger, 1988). For example, the market for political influence is highly contested where one firm's political investments cancel out another firm's activities. In turn, such dynamics often lead to zero-sum games for most participants despite substantial efforts (Hadani and Schuler, 2013; Gray and Lowery, 1997). From a bounded rationality perspective, subsidiary managers face substantial difficulties understanding and forecasting the performance effects of certain tactics (Hadani and Schuler, 2013), especially in foreign and emerging market contexts characterized by turbulence and uncertainty. Yet, if performance feedback for particular tactics is limited the likelihood of unnecessary or unsuccessful tactics is increased.

In sum, subsidiaries are reluctant to invest strongly in political strategies as they are costly and performance outcomes uncertain. Therefore, we would expect investments into political strategies when subsidiaries experience pressure to do so and when these pressures are likely to exhibit conflict and complexity. Consequently, we argue that high external pressures in emerging markets lead to an increased need for agency and actor-specific negotiation of the subsidiary's legitimacy.

Hypothesis 1: The higher external institutional pressures, the more intensive the subsidiary applies political strategies.

As outlined above, subsidiaries are not only exposed to institutional pressures stemming from the external environment in the host country, but also to pressures that arise from their parent organizations' institutional requirements. This is likely to further increase complexity and, more importantly, to increase conflict in addition to the already complex emerging market context:

First, strong MNC internal pressures reflect the MNC-wide value-creation logic embedded in its business model. Furthermore, they are more likely to be linked to structures of authority which confer power to headquarters (Kostova et al., 2008). Research shows that, independently from their respective global strategy, headquarters intend to control the behavior of subsidiaries to align them with their subsidiary-specific strategic intentions (Birkinshaw and Morrison, 1995). By consequence, in case of strong internal pressures, the subsidiary's role is to a large extent imposed and controlled by

the HQ and this is likely to imply practices and strategies that should be executed in the subsidiary's host market.

Second, specifically in emerging markets, these practices and strategies implied by the HQ are likely to conflict with local pressures or required local market strategies. The dynamics and complexity of the emerging market context are difficult to be taken into account by the MNC HQ. That is, the HQ's pressures on subsidiary activities and strategies are unlikely to be properly configured with the subsidiary's surroundings (Luo, 2003). For example, in his study on market-seeking MNCs in China, Luo (2003) found that subsidiaries struggled not only due to challenges that arouse from the volatile environment, but because of HQ initiatives that were ineffective and/or inefficient in the host market. He specifically highlighted that "*many top managers we interviewed expressed the view that headquarters' managers (...) used improper strategies or control, or provided deficient support and ineffective communication systems*" (Luo, 2003, p. 299).

Faced with such pressures from within the MNC, addressing external pressures becomes even more relevant for subsidiaries. We argue that investing more into their political strategies may help them to alleviate the negative effects of MNC pressures and to maintain legitimacy within the MNC. In fact, research shows that responsive political strategies may have the power to reduce negative performance effects of inefficient and/or ineffective market strategies (see e.g., Baron, 1995a; Baron, 1995b; 1997; Dieleman and Boddewyn, 2012). Faced with a potentially ineffective market strategy stemming from strong internal pressures subsidiaries may thus be much more sensitive to external stakeholder pressures and may intensify their political activities despite their resource intensity and potentially uncertain outcomes. In other words, we expect subsidiaries to respond stronger to external pressures when confronted with simultaneous internal pressures.

Hypothesis 2: The higher internal pressures, the stronger the subsidiary reacts to external institutional pressures.

4. Methods

4.1 Setting

We compiled a database containing 1500 firms located in Brazil, China, India, South Africa and Turkey that were randomly selected from various directories of foreign firms in each of these countries. 63 of the firms did not exist anymore at the time of survey leading our final sample of 1437 companies. Subsequently we collected our data through an online survey from a sample of managers heading these subsidiaries. 157 questionnaires could be used for the analysis representing a 10.8%

response rate. However, final data analysis was done with 151 responses due to missing values¹. The respondents qualifying for this research mainly consisted of expatriates (64%). 21% were local managers and another 15% were managers from third countries. All respondents were member of the top management team of the subsidiary.

The subsidiary companies were located mainly in China (33.1%), India (21.8%), and South Africa (27.8%) followed by Brazil (9.3%) and Turkey (7.9%). We included country dummies to control for country-level effects. 21.1% of the subsidiaries belonged to MNCs from the Americas, 17.2% from Asia, and 61.6% from Europe. The average size of the MNC was approximately 30,000 employees, the one of the foreign subsidiary roughly 1,050 employees. Average age of the subsidiaries in the emerging market was nearly 20 years. However, the distribution is strongly skewed with a third of all subsidiaries operating less than 7 years.

4.1 Measures

Our measures are to a large extent based on existing literature. To measure the intensity of **Subsidiary Political Activism**, we used shortened scales of the three political tactics as defined by Hillman and Wan (2005). Managers were requested to assess how frequently they used each of eight different tactics, such as mobilizing grassroots political campaigns or providing financial incentives to political candidates, within the past three years. In line with previous research, respondents had to answer this question on a 5-point Likert scale (Hillman and Wan, 2005), with the following answer categories: 1 = never, 2 = once per year, 3 = once per month, 4 = once per week and 5 = once per day. We averaged the values to form the three political tactics Information Strategy with construct reliability of .68, Financial Incentives Strategy (.79), and Reputation Building Strategy (.78).

However, all three tactics seemed to be relatively strongly correlated. Thus, using confirmatory factor analysis (CFA) we evaluated whether subsidiary political activism is best conceptualized as a higher-order construct represented by all eight items loading on three first-order dimensions. We found support for this view with all three tactics loading significantly on Subsidiary Political Activism. (See Appendix).

External Pressures were measured by capturing the influence that local stakeholders have had in the previous year on the subsidiary's strategies and tactics². This influence of stakeholders was

¹ This rate is fairly satisfying since response rates of managers are usually lower than response rates of non-managerial employees (Baruch, 1999). Furthermore, our response rate is in line with Harzing and colleagues' (1997; 2012) findings of common response rates for mail surveys of 6% to 16%.

² Question: Which kind of interest groups have tried to influence your strategy and tactics during the last year and how strong was this influence?

measured with a nine-item Likert-like scale that represented different types of stakeholders such as local authorities, non-governmental organizations etc. Respondents were asked to assess the influence of the stakeholders on their subsidiary on a 7-point-scale (1 = no influence and 7 = very strong influence). Factor analysis revealed that these items loaded on two distinct factors, which we named public stakeholder influence (local, regional, and national governments and official authorities) and national private stakeholder influence (Consumer associations; (Industry) associations; Political parties; Media; Environmental protection organizations; Humanitarian organizations). Reliability was .85 for private stakeholder influence and .81 for public stakeholder influence. We averaged the scores for the individual constructs.

Internal Pressures were operationalized based on three items that measure the influence of the MNC HQ on the emerging market subsidiary with a Likert-like scale ranging from 1 to 7³. The following three items were used: The extent to which the parent uses formal rules and directives to govern decision-making processes within the subsidiary; the frequency of formal reports that have to be submitted to the parent; and the extent to which decision-making procedures are influenced by the parent (Reliability: = .71). The final measure is the average of the three items and proxies the extent to which the MNC influences and intervenes in subsidiary operations.

Controls. We used a number of control variables. First, we controlled for subsidiary **capabilities** because highly capable subsidiaries could be buffered from reacting strongly to institutional pressures. We proxy subsidiary capabilities with a measure that reflects the extent to which the subsidiary is a critical source of knowledge to the rest of the MNC. Subsidiaries that dispose of a set of valuable and rare resources are argued to drive the competitive advantage not only of the subsidiary itself but also of the MNC (e.g., Frost et al., 2002). The latter manifests itself through a process of knowledge outflows. Weak and under-performing subsidiaries are usually not transferring their knowledge to other units in the MNC (Monteiro et al., 2008). We asked the respondents to rate the extent of vertical and horizontal outflows on a 7-point Likert scale (Reliability: .75).

Second, we controlled for the degree of **ownership** of the subsidiary (wholly-owned subsidiaries were coded with “1”). Third and fourth, we controlled for the **age** as well as the **size** of the emerging market subsidiary. Fifth, we controlled for **industry**, **host country**, and **region of origin** effects by including a number of dummy variables in our model. The industry dummies differentiate between services, trade, and manufacturing industries. Furthermore, industry effects were also controlled for by a variable that captures the extent to which the subsidiary is active in **Business to Consumer** (B-to-C) markets as opposed to **Business to Business** (B-to-B) markets. We used the share of B-to-C business in percent of the total business as the control. Host country dummies capture the emerging market which

³ Question: To what extent does your parent use formal rules and directives to govern decision-making processes within your subsidiary?

hosts the subsidiary. Region of origin dummies capture if the MNC comes from Asia, Americas, or Europe. Finally, we used the **MNC's degree of internationalization** to proxy the accumulated experience that the MNC possesses with regard to managing international ventures, and we controlled for the **distance** between the HQ and the emerging market subsidiary by using geographic as well as cultural distance. Table 1 depicts the correlations between our measures.

===== TABLE 1 and 2 HERE =====

5. Analysis and results

Our econometric approach is hierarchical OLS regression analysis with robust standard errors (see Table 2). Model 1 uses all control variables. R squared was relatively low and the model barely significant. Model 2 added the three institutional pressure variables. All variables are positive and significant at $p < .05$ indicating that higher pressure is related to more intense political activities by the subsidiary. These effects remain stable in the following models and support Hypothesis 1. Model 2 and 3 include interaction effects between external and internal institutional pressures. Both Model 2 and 3 support our Hypothesis 2: MNC internal pressures increase the relationship between external pressures and the subsidiary's investments into political activities. The interaction between of private stakeholder pressure and MNC internal pressures is significant at $p < .1$.

In Model 5, when both interaction terms are added, the latter effect disappears. As this could be true because of increased multicollinearity we made a sample split and compared the coefficients of the private stakeholder pressure variable in a model that included only those subsidiaries with high internal pressures with another model that included those with low internal pressures. We found that, indeed, the coefficient of private stakeholder influence is stronger in the subsample characterized by high MNC internal influence ($\beta = .21, p < .05$) than in the low internal influence subsample ($\beta = .14, p < .05$). This was also true when we deleted other control variables (β of .21 vs. .13). Thus, we confirm that there is a marginally significant interaction effect between private stakeholder and MNC internal pressures in addition to the main effects and in addition to the second interaction term. An increase in the level of MNC internal pressures leads to a stronger reaction of the subsidiaries towards private stakeholder pressures.

Further robustness tests. We analyzed if our results hold when we investigate the three political tactics that form the sub dimensions of our overall political activism variable. Our results were qualitatively identical for financial incentive strategies and reputation building strategies as alternative dependent variables. For both tactics the two interaction terms between external and internal pressures were positive and significant when tested in separate models. However, this could not be confirmed for subsidiary information strategy which was related only to public pressures. Both interaction terms

were not significant. Thus, there is support for our Hypothesis 2 when it comes to the overall intensity with which the subsidiary employs political strategies. Yet, this seems particularly true for reputation building and financial incentive strategies but not for information strategies.

6. Discussion

In this article, we analyzed political strategies of MNC subsidiaries in emerging markets. While not our main focus, our empirical results shed some light on the question if “*the typologies of political strategies developed are uniformly applicable across institutional settings*” (Rodriguez et al. 2006: 735). Using confirmatory factor analysis we find that political activism is in our context best captured as an over-arching second-order construct covering the three political strategies as defined by Hillman and Hitt (1999). Thus, there is support for the idea that subsidiaries have incentives to combine political strategies in the context of those emerging markets that we are studying. Our findings are in line with calls to examine political strategies together and not separately (Schuler, Rehbein and Cramer, 2002) and we show that this might be true particularly in emerging markets. Future research could verify our findings using the complete scales.

Furthermore, we add to the scarce literature that has analyzed firms’ political activities outside of the triad markets, especially in emerging markets (Holtbrügge et al., 2007; Manrai and Manrai, 2001). The majority of existing studies on political strategies focused on developed markets, specifically the United States (Rodriguez et al., 2006; Lawton et al., 2013). We used the particular emerging market context to argue that external pressures are likely to be complex and contradicting to firm-internal pressures. Our data shows that subsidiaries react strongly to the interaction of these pressures suggesting that political strategies are not only used jointly but also intensively in such situations.

In addition, while a number of studies focused on external (e.g., Mott & Satterthwaite, 1999; Hersch & McDougall, 2000; Jackson and Engel, 2003), internal (e.g., Bhuyan, 2000; Hansen & Mitchell, 2000) or internal and external (e.g., Holtbrügge et al, 2007; Lenway & Rehbein, 1991; Meznar & Nigh, 1995) stimuli for political strategizing, we show that capturing the interaction between internal and external pressures is important for understanding the intensity with which firms use political strategies. Thus, we shift the interpretation of the term “institutional duality” from two rather independent or decoupled pressures to a view in which internal and external pressures have to be analyzed jointly taking into account their interdependencies.

However, our analysis suggests that the interaction effect is more substantial between public stakeholder and MNC internal pressures than between private stakeholder and MNC internal pressures. Thus, our results provide a contribution in terms of differentiating the effect of private vs public stakeholders. We argue that this difference might be a consequence of the fact that MNCs also

have to deal with private stakeholders in their home countries. Strategies and objectives of such home country private stakeholders may arguably not be too different as compared to those of private stakeholders in emerging markets. MNCs thus may have learned to deal with those pressures. Given its developing nature, this will most probably not to the same extent be the case for the public institutional environment. Consequently, the interaction effect is much more substantial for public stakeholders as we expect lower learning-curve effects from the MNC.

Further, we also contribute in terms of differentiating the reaction to conflicting institutional pressures across types of political strategies. We find similar effects for financial and reputation building strategies as compared to the full model, but interestingly, a more intense information strategy seems to be no significantly relevant response to conflicting pressures. One potential explanation could be that information strategy is also partially about seeking to buffer the external environment or achieve co-evolution with changing external institutional environments. Enhanced information strategy application could thus also be partially related to communicating isomorphism, and thus, we would find no effects stemming on political strategies.

A further contribution is linked to the literature investigating the effects of institutional conflict on firm behavior (Greenwood et al 2010; Tracey et al, 2011; Pache and Santos, 2010, 2013). We argued that simultaneous pressures from within the MNC and from the emerging market context are likely to create conflict. Such conflicting pressures jointly explain the effort that the subsidiary puts into costly and resource-consuming political strategies because it reflects a greater need to actively negotiate its status and legitimacy in the host context. Our argumentation is in line with the literature arguing that the exposure to conflicting pressures creates latitude for organizations to exercise strategic choice (Kostova et al., 2008; Greenwood et al. 2010; Tracey et al, 2011; Pache and Santos, 2010, 2013). Thereby, we also describe a legitimacy-creating process that is different from isomorphism and ceremonial adoption but based on active negotiation and social construction of the subsidiaries' status. Importantly, and contrary to most of the previous literature, we show that internal and external pressures are not substitutive in their effect on firm behavior in the way the isomorphism-based either-or logic has traditionally argued. This has further important implications.

First, since we emphasize agency and the alternative legitimacy-creating process of political strategies instead of isomorphism we would follow that subsidiaries located in the same emerging market do not necessarily become more similar to each other over time (cf. Kostova et al., 2008). This is in line with the findings of Aaltonen and Sivonen (2009) who have shown that subsidiaries show a multitude of different but successful responses to similar stakeholder pressures.

However, we need to be cautious with our interpretation. While we use institutional logics different from isomorphism to predict subsidiaries' political strategies, our research design does not allow for

comparing the explanatory power across the two logics. Some isomorphic mechanisms might still be in place in addition to the mechanism of active negotiation of status and legitimacy. This is generally unexplored and represents a fascinating area for future research. It would require measuring both the exact nature of practices so that the (ceremonial) adoption of these practices can be evaluated as well as the overall negotiation and social construction mechanisms (such as political tactics) which accompany such practices.

Second, using a different logic to explain the usage of political activism also creates the need to test its performance implications. Political activism is an expensive undertaking and we would expect that subsidiaries use it to their advantage only if confronted with internal and external pressures. To this end, we would expect that subsidiaries' political strategies mediate the effect of institutional pressures on firm-performance. Unfortunately, we lack an objective measure of subsidiary performance. Nevertheless, in a series of post-hoc analyses we used the subjective measure "perceived goal achievement" to shed some first light on the performance implications despite mediocre reliability of the construct (0.60)⁴. We estimated 3SLS and 2SLS models to test the performance effect using the three institutional pressure variables as instruments for subsidiary political activism. We maintained all control variables. The Sargan test for overidentification was not significant and the instruments were found valid and strong. Political activism showed a positive and significant relationship with performance ($p \leq 0.05$). Furthermore, performance was also strongly related to the subsidiaries' level of capabilities ($p \leq 0.01$). In total, we were able to explain 13% of the performance variance. The results were stable across both the 2SLS and the 3SLS. Our findings suggest that subsidiary managers perceive higher levels of goal achievement when they invested a lot into political strategies. Future research could validate these results using more reliable measures of performance that are more objective.

Limitations

Of course, our study also has a number of limitations that need to be considered beyond the need for a proper integration of performance effects. First, our measures are partially based on information of single respondents, leading to rather subjective evaluations and vulnerability to common method variance. In addition, participants had to answer questions on events occurred in the past which might entail retrospective bias. However, we tried to minimize biasing conditions. In order to reduce common method bias, we separated items in the questionnaire that measure the same construct, we used inverse structures for items, ensured respondents' anonymity, and pointed in the cover letter to

⁴ The respondents were asked to rate the goal achievement with regard to the following dimensions: Developing of a new market; Defending of an existing market; Following of important customers. We averaged the scores for the final measure of subsidiary performance.

the fact that there were neither “right” or “wrong” answers in order to minimize the risk of evaluation apprehension (Podsakoff et al., 2003). Furthermore, complex statistical model specifications, as used in this study, constitute an ex post procedural remedy to reduce the likelihood of common method variance (Chang et al., 2010). In fact, Siemsen et al. (2010: 470) state that “*finding significant interaction effects despite the influence of CMV in the data set should be taken as strong evidence that an interaction effect exists*”. Thus, while we cannot rule out common method bias entirely, we are confident that it is not of major concern in our study. We also used the approach of Armstrong and Overton (1977) to test for nonresponse bias. T-tests comparing early and late arriving responses revealed no indication for nonresponse biases in our study.

Second, we focus on external political strategies as a means to negotiate legitimacy. Obviously, legitimacy of the subsidiary *within* the MNC is equally important. Thus, our study disregards political strategies that subsidiaries might use internally within the MNC to negotiate its status and to achieve legitimacy within the internal organizational field. This is a potentially fruitful research avenue that would shed more light on firm-internal dynamics when confronted with external institutional pressures.

Third, while we measure effectively multiple pressures that a subsidiary is exposed to, our constructs cannot capture the precise content of the pressures. Our research focuses on the subsidiary-level and such analysis typically loses some of its precision. Thus, while our research is in line with calls to study not only particular individual practices (and the pressures for and against them) (c.g. Pache and Santos, 2013), we encourage future research to bridge this micro-macro gap.

To conclude, in this study, we built upon a growing body of literature on institutional theory and political strategies and contribute to further developing our knowledge in these fields. Additionally, our findings provide important insights about the interconnectedness between these two realms. Our findings support our agency-based approach to conflicting institutional demands. Furthermore, while existing studies highlighted the relevance of internal isomorphic forces for political strategy formulation (Hillman & Wan, 2005), we argue for and show support for political strategies as active social construction and negotiation to respond in form of political activism to complex institutional pressures.

Table 1. Correlations. N = 151.

	1	2	3	4	5	6	7	8	9	10	11
1 Subsidiary Performance	1.000										
2 Subsidiary Political Activism	0.121	1.000									
3 Subsidiary Capabilities	0.286	0.200	1.000								
4 Subsidiary Size (logged)	0.119	-0.010	-0.169	1.000							
5 Subsidiary Age (logged)	0.140	-0.059	-0.053	0.460	1.000						
6 MNC Degree of Internationalization	0.122	-0.050	-0.046	0.426	0.191	1.000					
7 Subsidiary Wholly-owned (dummy)	0.002	-0.162	0.117	0.054	0.048	0.060	1.000				
8 Services Industry (dummy)	0.017	0.184	0.163	-0.203	-0.096	-0.146	-0.112	1.000			
9 Trade Industry (dummy)	0.069	-0.089	-0.065	-0.174	-0.075	-0.053	0.043	-0.263	1.000		
10 Geographic distance	0.008	-0.160	-0.016	0.127	0.094	0.347	0.150	-0.005	0.021	1.000	
11 Americas MNC Origin (dummy)	0.095	-0.008	0.087	-0.072	0.188	-0.156	0.029	-0.013	0.194	0.021	1.000
12 EU MNC Origin (dummy)	-0.059	-0.068	-0.003	0.124	-0.044	0.341	0.070	-0.005	-0.193	0.412	-0.657
13 Host Country Brazil (dummy)	0.180	0.116	0.024	0.182	0.146	0.200	0.056	0.071	-0.052	0.213	0.002
14 Host Country China (dummy)	-0.248	-0.123	-0.068	0.006	-0.357	0.234	0.016	-0.037	-0.140	0.235	-0.296
15 Host Country India (dummy)	0.083	0.061	0.037	0.002	0.030	-0.195	-0.058	-0.024	0.041	-0.410	-0.235
16 Host Country South Africa (dummy)	0.033	-0.109	-0.079	-0.077	0.296	-0.140	0.018	-0.051	0.166	0.165	0.618
17 B-to-C Share	0.006	-0.057	-0.065	-0.047	-0.038	-0.028	0.173	-0.039	0.089	-0.014	0.046
18 Public Stakeholder Influence	0.216	0.488	-0.011	0.160	0.023	-0.014	-0.024	-0.028	0.053	-0.217	-0.086
19 Private Stakeholder Influence	0.127	0.460	0.094	0.056	0.036	-0.213	-0.010	-0.037	0.031	-0.359	0.124
20 MNC Internal Pressures	0.159	0.172	0.028	0.110	0.061	0.126	0.059	-0.215	0.016	-0.016	0.098

Table 1. Correlations (continued). N = 151.

	12	13	14	15	16	17	18	19	20
12 EU MNC Origin (dummy)	1.000								
13 Host Country Brazil (dummy)	0.112	1.000							
14 Host Country China (dummy)	0.353	-0.225	1.000						
15 Host Country India (dummy)	-0.274	-0.169	-0.372	1.000					
16 Host Country South Africa (dummy)	-0.330	-0.198	-0.437	-0.328	1.000				
17 B-to-C Share	-0.133	-0.181	-0.059	0.132	0.058	1.000			
18 Public Stakeholder Influence	-0.018	0.108	-0.145	0.163	-0.107	0.045	1.000		
19 Private Stakeholder Influence	-0.347	-0.074	-0.213	0.184	0.096	0.003	0.606	1.000	
20 MNC Internal Pressures	-0.077	0.109	-0.246	0.057	0.105	0.050	0.085	0.016	1.000

Table 2. OLS Models Predicting Subsidiary Political Activism.

	(1)	(2)	(3)	(4)	(5)
Public Stakeholder Influence		0.145** (0.0616)	0.107** (0.0527)	0.145** (0.0560)	0.112** (0.0524)
Private Stakeholder Influence		0.139** (0.0546)	0.174*** (0.0546)	0.149*** (0.0547)	0.172*** (0.0544)
MNC Internal Influence		0.0957** (0.0419)	0.105*** (0.0384)	0.102** (0.0407)	0.106*** (0.0384)
Public x MNC Internal Influence			0.144*** (0.0510)		0.123*** (0.0418)
Private x MNC Internal Influence				0.115* (0.0629)	0.0377 (0.0529)
Geographic Distance	-7.80e-06 (1.19e-05)	9.36e-06 (1.38e-05)	8.30e-06 (1.30e-05)	1.30e-05 (1.40e-05)	9.63e-06 (1.31e-05)
Cultural Distance	-0.00134 (0.00345)	-0.00230 (0.00300)	-0.000623 (0.00258)	-0.000833 (0.00303)	-0.000379 (0.00265)
Subsidiary Capabilities	0.0529* (0.0288)	0.0408 (0.0253)	0.0249 (0.0209)	0.0277 (0.0215)	0.0229 (0.0207)
Subsidiary Size	1.23e-05*** (2.18e-06)	5.73e-06 (6.25e-06)	6.65e-06 (5.22e-06)	6.70e-06 (5.07e-06)	6.84e-06 (5.00e-06)
Subsidiary Age	-0.000856 (0.000827)	-0.000146 (0.000788)	5.21e-05 (0.000755)	-0.000205 (0.000784)	4.93e-06 (0.000755)
MNC degree of internationalization	0.000157 (0.000650)	-7.75e-05 (0.000597)	-4.28e-05 (0.000569)	-0.000162 (0.000571)	-7.55e-05 (0.000570)
Subsidiary wholly owned (dummy)	-0.175* (0.0944)	-0.171** (0.0765)	-0.126* (0.0683)	-0.184** (0.0744)	-0.137** (0.0688)
Services Industry (dummy)	0.0947 (0.0925)	0.167* (0.0889)	0.164* (0.0865)	0.141* (0.0849)	0.156* (0.0845)
Trade Industry (dummy)	-0.0613 (0.0775)	-0.0590 (0.0787)	-0.0626 (0.0699)	-0.0359 (0.0743)	-0.0545 (0.0683)
Americas MNC Origin (dummy)	-0.0268 (0.206)	0.0579 (0.176)	0.0574 (0.175)	0.0357 (0.178)	0.0503 (0.175)
EU MNC Origin (dummy)	-0.0976 (0.171)	-0.0252 (0.152)	-0.0475 (0.151)	-0.0390 (0.157)	-0.0489 (0.153)
Host Country Brazil (dummy)	-0.00559 (0.307)	-0.136 (0.252)	-0.0901 (0.206)	-0.113 (0.221)	-0.0891 (0.203)
Host Country China (dummy)	-0.267 (0.287)	-0.187 (0.198)	-0.120 (0.163)	-0.170 (0.178)	-0.124 (0.164)
Host Country India (dummy)	-0.252 (0.298)	-0.256 (0.222)	-0.188 (0.184)	-0.202 (0.193)	-0.180 (0.181)
Host Country South Africa (dummy)	-0.273 (0.286)	-0.343 (0.228)	-0.298 (0.193)	-0.310 (0.205)	-0.293 (0.191)
B-t-C Industry Share	0.000179 (0.000841)	-8.47e-05 (0.000754)	0.000188 (0.000676)	-0.000103 (0.000750)	0.000144 (0.000686)
Constant	1.661*** (0.293)	1.534*** (0.222)	1.501*** (0.197)	1.562*** (0.217)	1.515*** (0.200)
Observations	151	151	151	151	151
R-squared	0.170	0.438	0.514	0.480	0.517
Adj. R-squared	0.071	0.357	0.439	0.400	0.438
F	1.72*	2.39***	6.87***	6.00***	6.57***
Delta R-squared		0.268*** ^{a)}	0.076*** ^{b)}	0.042*** ^{b)}	0.003 ^{c)} 0.037*** ^{d)}

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

a) Compared to Model 1. b) Compared to Model 2. c) Compared to Model 3 d) Compared to Model 4.

Appendix: Confirmatory Factor Analysis for Subsidiary Political Activism.

Construct / Indicators	Standardized Loadings	Variance Extracted	Composite Reliability
Subsidiary Information Strategy		0.51	0.68
v1: Reporting of research results	0.68 **		
v2: Commissioning think tanks	0.75		
Subsidiary Financial Incentives Strategy		0.56	0.79
v3: Paying to speak	0.73 **		
v4: Paid travel	0.78		
v5: Providing contributions	0.74 **		
Subsidiary Reputation Building Strategy		0.54	0.78
v6: Support to NGOs and grassroots	0.81 **		
v7: Press conferences on policy issues	0.67 **		
v8: Forming coalitions with non-industry actors (e.g., environmental protection groups)	0.71		

Notes: Regression factor set to 1.00 to establish scale for v2; v4 and v8. Variance of second-order construct Subsidiary Political Activism also set to 1.00. ** p<0.05

Number of observations: 157; df = 24; $\chi^2 = 28.868$; p = .225; CFI = 988; GFI = 961; RMSEA = .036 (90% confidence interval .000 - .0078); All standardized residuals below |2.5|. The three tactics load significantly on the final construct Subsidiary Political Activism with .83 (Financial Incentives), .80 (Reputation Building), and .67 (Information). Due to the violation of the normal distribution assumption for some items, we used a bootstrapping procedure with maximum-likelihood estimation to estimate bias-corrected confidence intervals of the regression coefficients as well as a corrected p-value (Blunch, 2008; Kline, 2005). 500 bootstrapping samples (no unused samples) produced a Bollen-Stine corrected p-value of .387 and confirmed that all coefficients were significant.

We compared this higher-order, three-factor model structure to one- and two-factor structures (Kline, 2005). The single-factor model inadequately accounted for the observed covariances. Number of observations: 157; df = 27; $\chi^2 = 119.04$; p = .000; CFI = .773; GFI = .846; RMSEA = .148 (.121 - .175). One residual covariance above |2.5|.

The fit of an intercorrelated two-factor structure (merging reputation-building and financial incentive strategy to one factor) was significantly decreased compared to the higher-order factor structure ($\Delta df = 2$; $\Delta \chi^2 = 50.448$; p < .001). Number of observations: 157; df = 26; $\chi^2 = 79.316$; p = .000; CFI = .869; GFI = .888; RMSEA = .115 (.085 - .144). No residual covariances above |2.5|.

Hence, our analyses suggested that subsidiary political activism is best captured as a meta-construct consisting of three first-order dimensions. Convergent validity is considered good since standardized loadings are all significant and construct reliability is above .7 (with the exception of the construct subsidiary information strategy which is slightly below the .7 cut-off value) while average variance extracted is above .5.

References

- Aaltonen, K., Sivonen, R., 2009. Response strategies to stakeholder pressures in global projects. *International Journal of Project Management* 27, 131-141.
- Armstrong, J.S., Overton, T.S., 1977. Estimating nonresponse bias in mail surveys. *Journal of Marketing Research* 14, 396-402.
- Baron, D.P., 1995a. Integrated strategy: Market and non-market components. *California Management Review* 37, 47-65.
- Baron, D.P., 1995b. The nonmarket strategy system. *MIT Sloan Management Review* 37, 73-85.
- Baron, D.P., 1997. Integrated strategy, trade policy, and global competition. *California Management Review* 39, 145-169.
- Baruch, Y., 1999. Response rate in academic studies - A comparative analysis. *Human Relations* 52, 421-438.
- Battilana, J., Dorado, S., 2010. Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal* 53, 1419-1440.
- Baum, J. A., Oliver, C., 1991. Institutional linkages and organizational mortality. *Administrative Science Quarterly* 36, 187-218.
- Baysinger, B.D., 1984. Domain maintenance as an objective of business political activity: An expanded typology. *Academy of Management Review* 9, 248-258.
- Bhuyan, S., 2000. Corporate political activities and oligopoly welfare loss. *Review of Industrial Organization* 17, 411-426.
- Binder, A., 2007. For love and money: Organizations' creative responses to multiple environmental logics. *Theory and Society* 36, 547-571.
- Birkinshaw, J.M., Morrison, A.J., 1995. Configurations of strategy and structure in subsidiaries of multinational corporations. *Journal of International Business Studies* 26, 729-753.
- Blumentritt, T. P., 2003. Foreign Subsidiaries' Government Affairs Activities The Influence of Managers and Resources. *Business & Society* 42, 202-233.
- Blumentritt, T. P., Nigh, D., 2002. The integration of subsidiary political activities in multinational corporations. *Journal of International Business Studies* 33, 57-77.
- Blunch, N.J., 2008. Introduction to structural equation modelling using SPSS and AMOS. Sage Publications, Los Angeles et al.
- Boddewyn, J.J., Brewer, T.L., 1994. International-business political behavior: New theoretical directions. *Academy of Management Review* 19, 119-143.
- Boddewyn, J.J., Doh, J., 2011. Global strategy and the collaboration of MNEs, NGOs, and governments for the provisioning of collective goods in emerging markets. *Global Strategy Journal* 1, 345-361.
- Bonardi, J.-P., Hillman, A.J., Keim, G.D., 2005. The attractiveness of political markets: Implications for firm strategy. *Academy of Management Review* 30, 397-413.
- Chang, S.-J., Van Witteloostuijn, A., Eden, L., 2010. From the editors: Common method variance in international business research. *Journal of International Business Studies* 41, 178-184.
- Child, J., Tse, D.K., 2001. Chinas transition and its implications for international business. *Journal of International Business Studies* 32, 5-21.
- Dacin, M. T., Goodstein, J., Scott, W. R., 2002. Institutional theory and institutional change: Introduction to the special research forum. *Academy of Management Journal* 45, 45-56.
- Dahan, N. M., Doh, J. P., Oetzel, J., Yaziji, M., 2010. Corporate-NGO collaboration: co-creating new business models for developing markets. *Long Range Planning* 43, 326-342.

- Dieleman, M., Boddewyn, J.J., 2012. Using organization structure to buffer political ties in emerging markets: A case study. *Organization Studies* 33, 71-95.
- DiMaggio, P.J., Powell, W.W., 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review* 48, 147-160.
- DiMaggio, P. J., & Powell, W. W. (Eds.), 1991. *The new institutionalism in organizational analysis* (Vol. 17). Chicago: University of Chicago Press.
- Doh, J.P., Lawton, T.C., Rajwani, T., 2012. Advancing nonmarket strategy research: Institutional perspectives in a changing world. *Academy of Management Perspectives* 26, 22-39.
- Elg, U., Ghauri, P., Tarnovskaya, V., 2008. The role of networks and matching in market entry to emerging retail markets. *International Marketing Review* 25, 674-699.
- Esty, D.C., Caves, R.E., 1983. Market structure and political influence: New data on political expenditures, activity and success. *Economic Inquiry* 21, 24-38.
- Frost, T.S., Birkinshaw, J.M., Ensign, P.C., 2002. Centers of excellence in multinational corporations. *Strategic Management Journal* 23, 997-1018.
- Frynas, J.G., Mellahi, K., Pigman, G.A., 2006. First mover advantages in international business and firm-specific political resources. *Strategic Management Journal* 27, 321-345.
- Gray, V., Lowery, D., 1997. Reconceptualizing PAC Formation It's Not a Collective Action Problem, and It May Be an Arms Race. *American Politics Research* 25, 319-346.
- Greenwood, R., Díaz, A. M., Li, S. X., Lorente, J. C., 2010. The multiplicity of institutional logics and the heterogeneity of organizational responses. *Organization Science* 21, 521-539.
- Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., Lounsbury, M., 2011. Institutional complexity and organizational responses. *The Academy of Management Annals* 5, 317-371.
- Hadani, M., Schuler, D. A., 2013. In search of El Dorado: the elusive financial returns on corporate political investments. *Strategic Management Journal* 34, 165-181.
- Hansen, W. L., Mitchell, N. J., 2000. Disaggregating and explaining corporate political activity: Domestic and foreign corporations in national politics. *American Political Science Review* 94, 891-903.
- Harzing, A.-W., 1997. Response rates in international mail surveys: Results of a 22-country study. *International Business Review* 6, 641-665.
- Harzing, A.-W., Reiche, S., Pudelko, M., 2012. Challenges in international survey research: A review with illustrations and suggested solutions for best practice. *European Journal of International Management* 7, 112-134.
- Hersch, P., McDougall, G., 2000. Determinants of PAC contributions to house incumbents: Own versus rival effects. *Public Choice*, 104: 329-343.
- Heugens, P.P.M.A.R., Lander, M.W., 2009. Structure! Agency! (and other quarrels): A meta-analysis of institutional theories of organization. *Academy of Management Journal* 52, 61.
- Hillman, A.J., Hitt, M.A., 1999. Corporate political strategy formulation: A model of approach, participation and strategy decisions. *Academy of Management Review* 24, 825-842.
- Hillman, A.J., Wan, W.P., 2005. The determinants of MNE subsidiaries' political strategies: Evidence of institutional duality. *Journal of International Business Studies* 36, 322-340.
- Hillman, A.J., Zardkoohi, A., Bierman, L., 1999. Corporate political strategies and firm performance: Indications of firm-specific benefits from personal service in the US government. *Strategic Management Journal* 20, 67-81.

- Holtbrügge, D., Berg, N., Puck, J.F., 2007. To bribe or to convince? Political stakeholders and political activities in German multinational corporations. *International Business Review* 16, 47-67.
- Hoskisson, R.E., Eden, L., Lau, C.M., Wright, M., 2000. Strategy in emerging economies. *Academy of Management Journal* 43, 249-267.
- Jackson, D., Engel, S., 2003. Don't bite the PAC that feeds you: Business PAC punishment over the China vote. *American Politics Research* 31, 138-154
- Keim, G., Baysinger, B., 1988. The efficacy of business political activity: Competitive considerations in a principal-agent context. *Journal of Management* 14, 163-180.
- Kline, R.B., 2005. *Structural equation modeling*. Guildford Press, New York, NY.
- Kostova, T., Roth, K., 2002. Adoption of an organizational practice by subsidiaries of multinational corporations: Institutional and relational effects. *Academy of Management Journal* 45, 215-233.
- Kostova, T., Roth, K., Dacin, M.T., 2008. Institutional theory in the study of multinational corporations: A critique and new directions. *Academy of Management Review* 33, 994-1006.
- Kostova, T., Zaheer, S., 1999. Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review* 24, 64-81.
- Lawton, T., McGuire, S., & Rajwani, T. (2013). Corporate political activity: A literature review and research agenda. *International Journal of Management Reviews*, 15(1), 86-105.
- Lenway, S.A., Rehbein, K., 1991. Leaders, followers and free riders: An empirical test of variation in corporate political involvement. *Academy of Management Journal* 34, 893-905.
- London, T., Hart, S. L., 2004. Reinventing strategies for emerging markets: beyond the transnational model. *Journal of International Business Studies* 35, 350-370.
- Lu, J.W., Xu, D., 2006. Growth and survival of international joint ventures: An external-internal legitimacy perspective. *Journal of Management* 32, 426-448.
- Luo, Y., 2001. Toward a cooperative view of MNC-host government relations: Building blocks and performance implications. *Journal of International Business Studies* 32, 401-419.
- Luo, Y., 2003. Market-seeking MNEs in an emerging market: How parent subsidiary links shape overseas success. *Journal of International Business Studies* 34, 290-309.
- Marcati, A., 1989. Configuration and coordination - The role of US subsidiaries in the international network of Italian multinationals. *Management International Review* 29, 35-50.
- Mathews, J. T., 1997. Power shift. *Foreign Affairs* 76, 50-66.
- Meyer, J.W., Rowan, B., 1977. Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology* 83, 340-363.
- Meznar, M.B., Nigh, D., 1995. Buffer or bridge? Environmental and organizational determinants of public affairs activities in American firms. *Academy of Management Journal* 38, 975-996.
- Monteiro, L., Arvidsson, N., Birkinshaw, J., 2008. Knowledge flows within multinational corporations: Explaining subsidiary isolation and its performance implications. *Organization Science* 19, 90-107.
- Morrison, A., Roth, K., 1993. Relating Porter's configuration/coordination framework to competitive strategy and structural mechanisms: Analysis and implications. *Journal of Management* 19, 797-818.
- Manrai, L. A., & Manrai, A. K. (2001). Marketing opportunities and challenges in emerging markets in the new millennium: a conceptual framework and analysis. *International Business Review*, 10(5), 493-504.
- North, D.C., 1990. *Institutions, institutional change, and economic performance*. Cambridge University Press, Cambridge.

- Oliver, C., Holzinger, I., 2008. The effectiveness of strategic political management: A dynamic capabilities framework. *Academy of Management Review* 33, 496-520.
- Ozer, M., 2010. Top management teams and corporate political activity: Do top management teams have influence on corporate political activity? *Journal of Business Research* 63, 1196-1201.
- Pache, A. C., Santos, F., 2010. When worlds collide: The internal dynamics of organizational responses to conflicting institutional demands. *Academy of Management Review* 35, 455-476.
- Pache, A. C., Santos, F., 2013. Inside the hybrid organization: selective coupling as a response to conflicting institutional logics. *Academy of Management Journal* 56, 972-1001.
- Peng, M.W., 2003. Institutional transitions and strategic choices. *Academy of Management Review* 28, 275-296.
- Peng, M.W., Luo, Y., 2000. Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of Management Journal* 43, 486-501.
- Peng, M.W., Wang, D.Y.L., Jiang, Y., 2008. An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies* 39, 920-936.
- Podsakoff, P.M., MacKenzie, S.B., Lee, J.-Y., Podsakoff, N.P., 2003. Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology* 88, 879-903.
- Rodriguez, P., Siegel, D. S., Hillman, A., Eden, L., 2006. Three lenses on the multinational enterprise: politics, corruption, and corporate social responsibility. *Journal of International Business Studies*, 37(6), 733-746.
- Salancik, G.R., 1979. Interorganizational dependence and responsiveness to affirmative action: The case of women and defense contractors. *Academy of Management Journal* 22, 375-394.
- Schuler, D.A., 1996. Corporate political strategy and foreign competition: The case of the steel industry. *Academy of Management Journal* 39, 720-737.
- Schuler, D.A., Rehbein, K., Cramer, R.D., 2002. Pursuing strategic advantage through political means: A multivariate approach. *Academy of Management Journal* 45, 659-672.
- Scott, W. Richard 1995. *Institutions and Organizations*. Thousand Oaks, CA: Sage.
- Siemsen E, Roth A, Oliveira P. 2010. Common method bias in regression models with linear, quadratic, and interaction effects. *Organizational Research Methods* 13: 456-476.
- Suchman, M.C., 1995. Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review* 20, 571-610.
- Sundaram, A. K., Black, J. S., 1992. The environment and internal organization of multinational enterprises. *Academy of Management Review* 17, 729-757.
- Taylor, C., 2008. Microcredit as model: a critique of state/NGO relations. *Syracuse Journal of International Law & Commerce* 29, 303-401.
- Teegen, H., Doh, J. P., Vachani, S., 2004. The importance of nongovernmental organizations (NGOs) in global governance and value creation: An international business research agenda. *Journal of International Business Studies* 35, 463-483.
- Tian, Z., Hafsi, T., Wu, W., 2009. Institutional determinism and political strategies. *Business & Society* 48, 284-325.
- Tracey, P., Phillips, N., Jarvis, O., 2011. Bridging institutional entrepreneurship and the creation of new organizational forms: A multilevel model. *Organization Science* 22, 60-80.
- Westney, E., 1993. Institutionalization theory and the multinational corporation, in: Ghoshal, S., Westney, E. (Eds.), *Organization theory and the multinational corporation*. St. Martin's Press, New York, NY, 53-75.