



# The management of socio-political issues and environments:

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## The Management of Socio-Political Issues and Environments: Toward a Research Agenda for Corporate Socio-Political Engagement

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**ABSTRACT** Socio-political issues and environments are becoming more complex and challenging. In this introduction to the special issue on ‘The Management of Socio-Political Issues and Environments: Organizational and Strategic Perspectives’, we take stock of the burgeoning research on how firms interact with socio-political actors and environments over the last few decades, specifically research on Corporate Political Activity and Corporate Social Responsibility. We then argue that the socio-political environments and actors with which firms interact are in a state of flux, such that issues are more interrelated and dynamic, and actors are more diverse and demanding. As such, we propose a new concept of corporate socio-political engagement (CSPE), which represents a more holistic perspective to understanding complex interactions among firms and their social/political stakeholders, incorporating and transcending conventional notions and tactics documented in the extant nonmarket strategy literature. Using a two-dimensional framework that captures the identity of socio-political actor or the nature of socio-political issues (political, social, or both) as well as the relevant level of analysis at which the interactions unfold, we showcase the contributions of the special issue articles to this research agenda. Finally, we discuss and specify future research directions for revealing the multifaceted nature of CSPE.

**Keywords:** corporate political activity, corporate social responsibility, corporate socio-political engagement (CSPE), nonmarket strategy, socio-political environments, socio-political issues

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## INTRODUCTION

Managing complex socio-political issues and environments has become a top concern for corporations in the contemporary world. Firms and industries are facing mounting challenges – and potential opportunities – ranging from exogenous events that are beyond their control to direct actions posed by social and political stakeholders with whom they interact. A glimpse of the daily business press underscores the enormous challenges that corporations need to tackle for their survival and growth: How should multinational enterprises (MNEs) adjust their production facilities and supply chains in the face of geopolitical hazards? What role do MNEs play in addressing grand challenges such as climate change? How can emerging-market firms address their legitimacy deficits as they seek to enter and operate in developed economies? How should firms respond to the backlash in some US Republican-led states regarding environmental, social, and governance (ESG) investments? How can firms manage the demands of social movement activists both old (e.g., civil rights) and new (e.g., #metoo and Black Lives Matter)? Answers to these questions cannot be readily found in traditional management textbooks that focus primarily on market-based competition.

Academic inquiries into corporate nonmarket activity were slow to develop, but the last three decades have witnessed the emergence of a large body of literature (Mellahi et al., 2016; Sun et al., 2021b) that consists of two key components: corporate political activity (CPA) and corporate social responsibility (CSR). Topics on CPA (e.g., lobbying, campaign contributions, and political connections) and CSR (e.g., CSR as a competitive asset, stakeholder management, corporate philanthropy, and institutional influences on CSR) have received increasing attention from management scholars (e.g., Luo et al., 2016; McDonnell and Werner, 2016; Sun et al., 2016; Werner, 2015). However, an integrative understanding of how firms navigate a variety of local, national, and cross-border nonmarket environments and develop relationships with their socio-political stakeholders is still lacking (den Hond et al., 2014; Doh et al., 2012; Lawton et al., 2014, 2020; Wickert, 2021).

This special issue on ‘The Management of Socio-Political Issues and Environments: Organizational and Strategic Perspectives’ is motivated both to highlight the state-of-the-art scholarship on CPA and CSR literatures, and to stimulate further conceptual development and empirical inquiries in shaping a broader research agenda for the management of multifaceted socio-political issues and environments. In this regard, we contend that the growing complexity of socio-political environments, the heightened salience of socio-political forces, and the increasing interaction of social and political issues and actors call for a more integrative and robust approach to thinking about corporate activities in this realm. We suggest that corporate socio-political *engagement* better captures these firm responses and strategies.

In this introductory article, we first outline some major strands of research that have addressed the management of socio-political issues and environments, namely corporate political activity (CPA) and corporate social responsibility (CSR). We then introduce and define our proposed construct of Corporate Socio-political Engagement (CSPE). Next, we introduce two core dimensions that can be used to evaluate this research, namely level of analysis (institutional vs. organizational vs. micro) and topical focus (CPA, CSR, or broader socio-political engagement as reflected in CPSE). This is followed by a summary of the special issue articles situated along these dimensions. The final section

concludes by identifying some important research questions we believe should motivate future research agendas for CSPE.

## **MANAGING SOCIO-POLITICAL ENVIRONMENTS AND ACTORS: A BRIEF OVERVIEW**

In this section, we provide an abbreviated overview of the core research streams that have informed contemporary scholarship on how firms manage their socio-political environments and the actors that occupy them, drawing from CPA, CSR, and SM literatures, and more contemporary research that has sought to combine and integrate strands from two or more of these research streams.

### **A Sketch of the Multi-Theoretic CPA Research**

CPA research in the management field can trace its roots to a variety of social-science disciplines, including political science, economics, and sociology. Specifically, a dominant political marketplace perspective (Bonardi et al., 2005; Katic and Hillman, 2023; Lenway et al., 2022) in this literature originates from positive political theory (e.g., Riker and Ordeshook, 1973) and public-choice economics (e.g., Buchanan, 1987; Tullock, 1972). Regarding the former, Epstein's (1969) seminal book – *The Corporation in American Politics* – studied the role of CPA in changing the legal constraints facing large corporations, while Barnett and Müller (1974) examined the various roles of multinationals in influencing national governments. The theory also suggests the micro-foundations of agent decision making by exploring the parameters of individual decision making (Amadae and Bueno De Mesquita, 1999).

Public-choice theorists perceive the state as an arena where various interest groups bargain or ally with one another to decide the allocations of economic and political benefits. While public choice in the unpriced political process is inherently less efficient and more complex than individual choice in the market process, the metaphor of political marketplace has been well-established in CPA research. Specifically, firms purchase information and policy support from self-interested political actors; in return, they provide the latter with financial and political support. During this process, firms compete for political favours through a host of tactics such as lobbying, campaign contributions, and political connections (Lawton et al., 2013a). Earlier reviews of CPA research primarily concern the antecedents and outcomes of CPA tactics (e.g., Hillman et al., 2004; Lux et al., 2011), though the latest ones have started to reflect upon the limitations and challenges of this political marketplace perspective in understanding contemporary corporate engagement with political environments and agents (Katic and Hillman, 2023; Lenway et al., 2022). Among their critiques of this stream of literature are the narrow focus on traditional tactics like lobbying and campaign contributions and the lack of attention to various indirect, informal, and/or concealed forms of corporate political engagement (Funk and Hirschman, 2017; Werner, 2017).

While the political marketplace perspective originates largely from the context of US-based political institutions, managing conflicts and cooperation between

multinationals and host-country governments in the international business sphere (Hymer, 1960/1976; Vernon, 1971) led to a separate stream of literature on MNE-host government relationship and political risk management (Sun et al., 2021b). Different from the public-choice logic, the management of potential interest/favour-exchange processes between MNEs and host governments invites scholarly inquiries from the angle of transaction-cost economics (TCE, Williamson, 1985). TCE is more suitable for analysing the dynamics of bilateral bargaining (Fagre and Wells, 1982; Kobrin, 1987; Stopford and Strange, 1991) and MNEs' tactics to address potential host-government opportunism/expropriation (Boddewyn and Brewer, 1994). Given significant transactional hazards arising from host-country political actors, TCE is a popular analytical perspective in multinational CPA research, with a focus on contractual hazards stemming from location/entry-mode choices and post-entry strategic decisions (e.g., Feinberg and Gupta, 2009; Sun et al., 2021a).

In parallel to the political marketplace and TCE conceptualization is the study of CPA from the sociological lens, which perceives business-government relation as a socially embedded exchange process. Resource dependence theory (RDT, Pfeffer and Salancik, 1978) holds that organizations are engaged in constant social exchanges and rely on external resources for survival and growth. While firm co-optation of political stakeholders constituted a lesser-known chapter in Pfeffer and Salancik's classical book (Hillman et al., 2009), CPA research employing the resource-dependence perspective has since flourished in the settings of developed and emerging/developing economies alike (Abdurakhmonov et al., 2021; Fu and Sun, 2023; Sutton et al., 2021). According to Mellahi et al. (2016), RDT serves to elucidate a key buffering mechanism through which firms shield themselves from political uncertainty and secure resource inflows. Moreover, the combination of RDT with agency theory (Sun et al., 2016), resource-based view (RBV, Frynas et al., 2006), and TCE (Dieleman and Boddewyn, 2012) has resulted in rich insights into the contingent performance outcomes of CPA.

In particular, RBV (Barney, 1991) has been invoked to develop concepts like political resources and political capabilities to explain the potential competitive advantages in association with CPA (McWilliams et al., 2002; Oliver and Holzinger, 2008). Given that firm-specific resources/capabilities can be nurtured to shape political environments to a focal firm's advantage, we lack the knowledge into the micro-foundations that lead to the development of superior political capabilities over time. Therefore, the conceptual development of experiential learning in the political process is a promising start (Holburn and Zelner, 2010; Lawton et al., 2013b), but deeper empirical investigations at the intra-organizational, managerial levels are in order to open the black box of political capability origination and development processes.

In a wider societal context, social movement scholars have documented how social movement actors have challenged firms' ability to engage in nonmarket activities, such as lobbying and other political influence strategies. For example, McDonnell and Werner (2016) demonstrate that social movements can constrain firms' access to public policymakers – via Congressional testimony and other means – out of the policymakers' fears of being tainted by mere association with a boycotted firm. Fremeth et al. (2022) similarly show in the regulatory sphere that movements' protests can affect firms' market performance by hampering their nonmarket performance.<sup>[1]</sup>

While these activities can be somewhat influential, they mostly appear to lead firms to alter their political tactic selection by conducting more of their activities indirectly through conduits such as lobbying firms or trade associations (Jia et al., 2023; Shanor et al., 2021).

Finally, prior research has started to recognize the broader roles of institutions in shaping the formulation and outcomes of CPA. Doh et al. (2012) contend that CPA research needs to investigate institutions, structures, and processes of individuals and organizations in the nonmarket environment, while a recent review in the international business context (Sun et al., 2021b) employs the institutional multiplicity framework to document how firms and their managers engage with their home-, host-, and supranational socio-political stakeholders. While this research has made important contributions, it also has a number of shortcomings. One related to the institutional view is that direct applications of key institutional theory concepts – such as isomorphism, decoupling, arbitrage, escapism, and institutional entrepreneurship – to empirical CPA research remain scant.

### CSR Scholarship

If CPA literature addresses how firms interact with and respond to governmental action and actors through political strategies, CSR research explores, in parallel, how firms interact and respond mainly to nongovernmental stakeholders via social and ecological initiatives.

Many credit the contemporary era of CSR literature as emanating from Bowen (1953), who was concerned about the influence of corporate power on society, arguing that ‘businessmen’ should engage in *social responsibilities* as ‘the obligations... to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society’ (Bowen, 1953, p. 6). In the 1960s, social movements in the areas of civil and women’s rights, environmental protection, and other areas stimulated further responses on the part of business, with Davis (1960, p. 71) arguing that the ‘social responsibilities of businessmen need to be commensurate with their social power’. In addition, Frederick (1960) proposed a new theory of business responsibility that balanced economic and societal obligations.

In the 1970s, two public reports – *A New Rationale for Corporate Social Policy* (Baumol, 1970) and *Social Responsibilities of Business Corporations* (Committee for Economic Development, 1971) – reflected broader public and business support for CSR. From a scholarly vantage, Preston and Post (1975) attempted to delimit where corporations have a public responsibility by identifying clear boundaries outside of which the firm is not responsible. Carroll (1979) proposed what is one of the early integrated definitions of CSR, stating that: ‘The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time’ (Carroll, 1979, p. 500).

Concurrent with the CSR literature that focused on the obligations of business firms to society, social movements scholars in the 70s and 80s focused on the pressure movements and the organizations as opponents to firms’ influence, seeking to counter firms’ increasingly ‘capture’ of public policy and policymakers. They sought to explain how formal

or outsider ‘challengers’ to the ‘members’ and elites of the polity arose, as well as how they selected the tactics to confront the policy status quo (McAdam, 1982; Tilly, 1978). This early scholarship focused primarily on the noninstitutionalized means by which movements targeted the state – and later business firms themselves – for benefits and recognition of their claims (Gamson, 1990). Later, social movement scholars documented the targeting of firms by social movement organizations and activists, in part to offset the increasing political activities and influence of those private firms (Berry, 1999) and the simultaneous decline of unions (Skocpol, 2003). These movements, in turn, placed pressure on firms to behave in more socially responsible ways, leading to firm-level CSR initiatives.

The 1980s and 1990s saw growing interest in stakeholders and the responsibilities firms have toward them. Jones (1980) viewed CSR as a *decision making process* that influence corporate behaviour, while Carroll (2015) documents how, in the 1990s, globalization and the increasing reach of multinational corporations prompted firms to seek to present themselves as positive or at worst neutral actors who operated around the world. In 1992, the group Business for Social Responsibility (BSR) was founded as a ‘force for positive social change – a force that would preserve and restore natural resources, ensure human dignity and fairness, and operate transparently’ (Business for Social Responsibility, 2018, para. 2). Building on prior work of Carroll and others, Wood (1991) sought to define corporate social performance (CSP) as a multilevel construct that includes legitimacy (institutional level), public responsibility (organizational level), and managerial discretion (individual level). In advancing the field further, Carroll (1991) provides a useful approach to CSR for the executives that needed to balance their commitments to the shareholders with their obligations to a wider set of stakeholders, including increasingly active government regulators. Consequently, CSR scholarship expanded dramatically in the late 1990s as it began to address how different types or categories of stakeholders influence firm-level corporate social performance (CSP) in the form of social or environmental programs, and whether and how those programs yield organizational outcomes such as corporate financial performance (CFP) (Burke and Logsdon, 1996).

Baron (2001) was one of the first scholars to introduce the term ‘strategic’ CSR as ‘a profit-maximization strategy motivated by self-interest and not by a conception of corporate social responsibility’ (Baron, 2001, p. 9). McWilliams and Siegel (2011, p. 1481) suggested that strategic CSR constitutes ‘any responsible activity that allows a firm to achieve a sustainable competitive advantage, regardless of motive’. This was at variance with earlier definitions of CSR (without the ‘S’) that suggested it represented situations when the firm goes beyond compliance and engages in ‘actions that appear to further some social good, beyond the interests of the firm and that which is required by law’ (McWilliams and Siegel, 2001, p. 117). Here, CSR can be viewed as an investment that generates performance returns for the firm (McWilliams et al., 2006; Siegel and Vitaliano, 2007). The degree to which a firm is able to capture those payoffs, however, is influenced by a range of industry and firm-specific factors, including the degree to which firms are able to use CSR as a differentiating factor in their competitive marketplace (Siegel and Vitaliano, 2007). By 2003, there had been a sufficient number of studies exploring the CSP-CFP relationship to support a meta-study (Orlitzky et al., 2003). That study, and others that came after it, generally supported the notion of a positive

relationship between CSP and CFP – with, however, many caveats and contingencies. Porter and Kramer (2006) popularized the notion of concurrently pursuing value for stakeholders and value for the firm under the moniker of ‘creating shared value’. They propose that firms pursue social initiatives that are connected to their core competencies. It should be noted, however, that this perspective has received a fair amount of backlash from business and society scholars (e.g., Crane et al., 2014).

Since the early 2000s, the CSR research has transitioned from a firm-centric approach to a dual focus on firms and society (Wickert, 2021). Specifically, scholars have widened their research lens to capture the institution-level forces that shape and influence CSR, such as how broad systems of political and economic organization manifest in the variety of approaches to CSR by firms (Campbell, 2007; Doh and Guay, 2006; Matten and Moon, 2008). This stream focused as much on the relational elements of CSR as in the antecedents and outcomes of CSR, and redirected greater attention to regional and country-level variation in both shaping CSR and also in exploring how CSR affected various stakeholder groups and communities.

As part of this transition, scholars have become interested in the resurgent role of government in regulation of business and in influencing the focus and nature of CSR (Kourula et al., 2019). Specifically, CSR scholars have challenged prevailing assumptions that private initiatives can take the place of governmental regulations, and documented the revival of governmental authority in a wide range of areas, including financial regulation, trade actions, supply chain accountability, and in global governance initiatives such as in development of the United Nations Sustainable Development Goals (Wickert, 2021).

Two recent reviews of CSR have proved helpful in organizing and classifying the literature spanning the firm and society-centric perspectives. Aguinis and Glavas (2012) analyse antecedents, mediators, moderators, and outcomes of CSR. They do so by situating these elements at the institutional, organizational, and individual levels. An important insight in their discussion of antecedents that links to the stakeholder literature is that firms face a variety of stakeholders, each of which has its agenda, although some of these agendas may be shared and stakeholders may coordinate their activities in relation to how they approach corporations. They call for greater attention to these micro-foundations of CSR. While on the other hand, Mellahi et al. (2016) also review CSR (and CPA) research at multiple levels of analysis, but the review is from the vantage point of the primary theories used to motivate and guide nonmarket strategy research. They note that, as is the case with CPA research, CSR scholars have drawn on a range of theories such as agency theory, institutional theory, RBV, RDT, and stakeholder theory, and they identify stakeholder and institutional theories as key common lenses used to inform the bridging mechanisms that mediate the link between CSR and organizational outcomes. They propose the incorporation of additional and less traditional theoretical perspectives (including responsible leadership, social movement theory, and social embeddedness perspectives) and the integration of leadership with stakeholder, institutional, and Habermasian theorizing.

Since the second half of the 2010s, the proliferation of CSR research has manifested itself in several notable directions (e.g., Wang et al., 2016, 2020). Of particular interest are the institutional and individual drivers of CSR activities. In the former case



– highlighting the role of CSR in navigating institutional complexity and challenges

– recent studies reveal MNEs' strategic allocation and orchestration of CSR activities at the global level based on a variety of host-country institutional conditions (Ballesteros and Magelssen, 2022; Hornstein and Zhao, 2018). Specifically, scholars have explored how MNEs prioritize and organize their philanthropy activities across different countries are profoundly shaped by the varied urgency to manage institutional voids (Doh et al., 2017) and engage with key host-country socio-political stakeholders. While others have taken great strides to understand the influences of numerous executive and board characteristics on CSR-related decision making from the upper echelon perspective (Wang et al., 2023). Studies explicating the social and psychological processes that operate behind CSR remain rare. In this regard, Hafenbradl and Waeger (2017) explore the psychological origin of executives' belief in the business case for CSR (i.e., the CSP-CFP link). Similarly, focusing on general stakeholders, Shea and Hawn (2019) study the social perception of CSR and corporate social irresponsibility (CSiR). Based on social psychology literature on stereotypes, their study identifies warmth and competence as two fundamental dimensions of social perception and examines how both CSR and CSiR influence and are influenced by the two dimensions.

In parallel to this literature on the internal motivations and antecedents of CSR, scholars have also explored the various strategies of external stakeholders in influencing firms' commitment to CSR and the particular areas it opts to concentrate on. Through protests, boycotts, and other tactics to exploit corporate 'political-opportunity structures', social movement organizations have achieved some successes in changing firms' practices in realms as diverse as the environment (Easley and Lenox, 2006; Maxwell et al., 2000), LGBTQ+ rights (Raeburn, 2004; Werner, 2012), and human and labour rights (Bartley and Child, 2014; Soule et al., 2014). These pressures prompt firms to alter activities that are viewed as socially irresponsible and pursue others that are viewed as pro-social responsibility. Further, these campaigns have proven successful in establishing reinforcing dynamics within targeted firms (McDonnell et al., 2015) and in bringing greater public attention to the issues the movements are focused on (King and Pearce, 2010). One of the strategies employed by NGOs, religious groups, specialized institutional investors, and others come together is via socially oriented shareholder activism. Here, activist organizations, alone or more often in conjunction with others as part of an overall campaign, develop and submit shareholder proposals as part of the annual shareholder consultation process, to compel firms to either report on – or act upon – various social issues such as greenhouse gas disclosure, net zero climate commitments, human rights commitments and LGBTQ+ rights or others. Increasingly, these proposals are drawing support from shareholders, creating conditions in which firms feel obliged to respond, typically by negotiating changes with the activist shareholders.

One notable and especially influential stream in the CSR literature has combined and integrated insights from CSR and those of political economy to argue for a new 'political role of the corporation' that encompasses elements of both social and political roles and responsibilities (Scherer et al., 2016; Scherer and Palazzo, 2011). While this is a relatively recent thrust in the CSR literature, it has had a discernible impact in underscoring how globalization, privatization, and stakeholder pressures have prompted companies to assume broader and more inclusive roles of corporations in both the political and

social spheres, including assuming responsibilities that have traditionally been vested in governments or nongovernmental actors (Scherer et al., 2016). Further, this stream has identified the nature and extent of global governance gaps, and the commensurate entry by multinational firms in partially filling those gaps (Wickert and Witteloostuijn, 2023). Subsequently, we return to this research area in our discussion of research that has explored the interactions and integration of CPA and CSR.

### The Interplay of CPA and CSR

Another approach to understanding nonmarket activity is to examine the interplay between CPA and CSR. According to the two systematic reviews of the nonmarket strategy literature (Mellahi et al., 2016; Sun et al., 2021), the vast majority of studies that sought to integrate CPA and CSR were published after 2010, despite some early calls for such research (Doh and Guay, 2006; Rodriguez et al., 2006). Since then, the complementarity and (mis)alignment between CPA and CSR have gradually come under greater scrutiny (den Hond et al., 2014; Liedong et al., 2015).

den Hond et al. (2014) postulate three possible CPA-CSR configurations (alignment, misalignment, and non-alignment) and theorize their respective effects on corporate reputation. Understandably, the initial emphasis has been placed on the alignment scenario. By explicating the resource complementarities between CPA and CSR, namely resources from CPA to support CSR and those from CSR to support CPA, they predict considerable synergies arising from the alignment of the two strategies and take a normative view that alignment presents a more consistent and authentic image to key stakeholders.

In a similar vein, Liedong et al. (2015) contend that CPA and CSR can complement each other by enhancing focal firms' trustworthiness, which in turn enables them to influence salient policy issues. Below, we organize our discussion on the basis of the *specific mechanisms* that regulate the complex interplay between the political side and the social side of corporate engagement. In concrete terms, we first summarize the existing research on how CSR activities may impact firms' engagement with political actors and environments. This is followed by the opposite direction of the inquiry – how CPA or political context/actors influence CSR or corporate social engagement.

*The impacts of CSR on corporate engagement with political actors and environments.* Extant research in this area reveals two primary underlying mechanisms that drive the political nature of CSR: (1) CSR leads to improved access to and accumulation of *political capital*; and (2) CSR acts to buffer against potential *political/regulatory hazard* in varying institutional contexts. According to den Hond et al. (2014, pp. 799–801), the political-capital-enhancing role involves facilitating access to the polity, improving the efficacy of CPA, and reducing the cost of interacting with political actors. The converging insights from stakeholder theory and the RBV imply significant complementarity between CSR and political capital. That is, in instances where the government holds strong stakeholder salience, the resources and capabilities developed through CSR activities are instrumental in improving CPA efficacy and acquiring political capital that CPA alone cannot secure (den Hond et al., 2014; Hadani and Coombes, 2015; Wang and Qian, 2011). For instance,

Rehbein and Schuler (2015) propose that corporate community programs improve the effectiveness of two key aspects of CPA – information and constituency building – by generating human/organizational capital and geographic resources related to the community linkages to elected public officials.

This complementarity thesis has received strong support from numerous empirical studies across different institutional contexts. In the USA, Werner (2015) documents a positive association between a firm's perceived engagement in socially responsible practices and its access to public policy making measured by participation in congressional hearings. The strong social reputation serves to differentiate the focal firm from its peers in the political marketplace, resulting in a salient synergy between corporate social reputation and the conventional lobbying tactic in gaining political access. Focusing on corporate philanthropy, Hadani and Coombes (2015) argue that, in the face of a politically uncertain environment, firms can leverage philanthropy activities as 'a signal of the firm's moral or relational capital to less friendly, or less firm-knowledgeable, policy makers' (p. 866). On the flip side, when firms' social reputation is compromised by social activists' boycotts, their CPA is likely to suffer from significant disruption in the form of rejected campaign contributions, reduced congressional appearances, and fewer government procurement contracts (McDonnell and Werner, 2016).

In emerging/developing economies, where political actors hold sway over businesses, the role of CSR in gaining political access, legitimacy, and policy resources has been extensively researched and well-established (Beddewela and Fairbrass, 2016; Jia et al., 2019; Lin et al., 2015; Sun et al., 2012; Wang and Qian, 2011). Some recent studies have even suggested that CSR can become a concealed form of CPA: Rodgers et al. (2019) report a blurring of CPA/CSR activities in the sense that 'engaging in CSR activities not only means substituting for the state in terms of its responsibilities ... it also leads to substituting or "offsetting" effects in terms of lobbying (CPA) costs' (p. 531). Liedong (2023) reveals how some CSR projects are used in indirect social exchanges between firms and politicians. For example, some projects serve to boost politicians' re-election chances in return for policy favours, implying that some CSR initiatives become CPA in their own right.

With respect to the second mechanism, i.e., the political-hazard-mitigating role of CSR, the extant research has begun to unravel the ways in which CSR may reduce firms' exposure to and the potential damages caused by political/regulatory hazard. Echoing CSR's generic risk-management function predicted by stakeholder theory (e.g., Godfrey et al., 2009), CSR can also be instrumental in tackling uncertainties from political actors and environments. In the case of firms in sin industries facing declining political influence and increasingly hostile regulatory environments over the past decades, Fooks et al. (2013) conduct a detailed analysis of British-American Tobacco's CSR programs, whose primary aim was found to neutralize and diffuse regulatory threats by breaking up political constituencies that favoured evidence-based tobacco control.

Given the ubiquitous political hazards in emerging/developing economies, prior research also recognizes the role of CSR in reducing firms' exposure to this institutional risk (Liedong et al., 2017). Specifically, Darendeli and Hill (2016) reveal a crucial insurance/hedging function of CSR projects conducted by MNEs in Libya. That is, the social and moral capital accumulated from these projects can serve as a buffer against exogenous

political shocks like sudden regime changes, which could turn corporate connections to incumbent political groups/regimes from assets into liabilities overnight (Siegel, 2007; Sun et al., 2015). In short, research on the political-hazard-mitigating role of CSR is still at an early stage. For example, we know little about the limit of CSR as an ‘insurance policy’, as it is evident that political hazard cannot be fully insured. Also, extant research has yet to analyse whether the heterogeneity across CSR activities affects their efficacy in mitigating political hazard.

*The impact of political activity on CSR and corporate engagement with societal stakeholders.* In comparison with the above mechanism, inquiries into the impacts of CPA or political actors on corporate social engagement are underdeveloped. In their seminal conceptual work on the complementarity between CPA and CSR, den Hond et al. (2014, pp. 797–9) posit that CPA supports a firm’s CSR activities through its selection of CSR priorities and enhancing the credibility and economic viability of its CSR initiatives. Curiously, however, empirical investigation into these mechanisms remains sparse at best.<sup>[2]</sup> Instead, CPA has primarily been viewed as a defensive tactic to manage legitimacy deficits in relation to corporate engagement with societal stakeholders/issues. For instance, Cho et al. (2006) hint at the motivation of a firm’s increased corporate campaign contributions to tackle its environmental performance issues via political engagement.

In the case of managing pressures and challenges from socially oriented shareholder activism, Hadani et al. (2018) drew on a sample of S&P companies over 1999–2006 to examine how the use of CPA contributed to a reduced likelihood of the Securities and Exchange Commission (SEC) approving omission of a company’s contested proxy proposals. In other words, CPA could result in regulatory capture in increasing the likelihood that the SEC will rule favourably for firms in excluding consideration of these proposals and in so doing, buffer confrontational tactics from social-movement organizations.

Another stream of the literature investigates the roles of political actors and environments in shaping firms’ social engagement or CSR activities (see Wickert, 2021, E9–E10, ‘The Revival of Governments in CSR’). Reid and Toffel (2009) demonstrate that the extent of corporate self-regulation regarding the disclosure of climate-change strategies is positively associated with state-level threats of new legislation or regulations in the USA. In China, where the state has played a major role in driving CSR policies and practices, scholarly inquiries draw on institutional and resource dependence theories to examine how firms respond to multifaceted domestic political pressures for CSR reporting, corporate philanthropy, and environmental actions.<sup>[3]</sup>

When the state emphasizes social/environmental objectives, firms may perceive CSR-related actions and projects as a political and semi-coercive activity and consider the trade-off between the economic cost incurred and future political benefits gained through CSR engagement. In the case of CSR reporting, Marquis and Qian (2014) develop a political-dependence model to explain how linkages to the Chinese state affect firms’ decision to issue CSR reports and the extent to which CSR reports are symbolic or substantive. Luo et al. (2017) theorize CSR-reporting decoupling as an organizational response to conflicting demands from the state, with the

central government pushing for CSR and local governments prioritizing economic growth. When firms experienced such a heightened tension via considerable exposure to both central and local political constituencies, they responded with a unique form of decoupling – early/rapid issuance of CSR reports in response to government calls, but with inferior quality.

Moving beyond CSR reporting, Luo and Wang (2021) study selective engagement in CSR activities, finding that politically endorsed firms engage more in corporate philanthropy than in environmental practices. This is because the former is more visible to political actors but commercially less costly. Zhang et al. (2016) delve into the heterogeneity of corporate political ties that shapes different patterns of companies' philanthropic donations – buffering firms from government donation pressure or binding them to government demand. For ties primarily transmitting legitimacy to focal companies, they ensure companies are committed to donation activities; however, when ties mainly transmit policy resources to focal firms, they can instead buffer firms from the donation pressure. This emergent literature on the interactions between CPA and CSR is still in its infancy and lacks a comprehensive model or framework to link and connect the strands of these discrete contributions. In the next section, we aim to develop such an integrated approach.

## MOVING BEYOND CPA AND CSR TO CSPE

### What is CSPE?

As companies increasingly coordinate and integrate CPA and CSR and nonmarket activities command increasing attention from – and involvement by – C-suite executives, those executives face complex and challenging socio-political issues and take formal stances on these issues with increasing frequency (e.g., Hambrick and Wowak, 2021). These developments reflect a whole new level of activity and initiative, and we therefore believe it is appropriate to consider a broader construct that fully reflects this heightened intensity and complexity – namely, corporate socio-political engagement (CSPE). We believe that CSPE captures a more holistic and integrative perspective on the interactions between companies, their institutional environments, and the socio-political actors that populate them. It suggests that corporate nonmarket activity often involves concurrent or sequential interactions with both social and political stakeholders and allows for the possibility that the firm can be the subject or agent of that engagement (often in a strategic sense), the object or respondent to that engagement (when firms face regulation or other forms of stakeholder pressures), or both.

In essence, CSPE encapsulates a variety of broader and more embedded connections among companies and their societal stakeholders as well as heightened activism by social and political stakeholders who are applying increased pressures on companies to assume greater levels of responsibility and accountability. They include but are not limited to ESG issues and explicit political/social activism by companies and their upper echelons on contemporary and sometimes highly contentious issues such as climate change, Black Lives Matter, LGBTQ+ rights, and human rights (Nalick et al., 2016).

## Increasingly Complex Socio-Political Issues

A recent issue that has emerged in the USA and elsewhere helps illustrate and underscore our CSPE construct. US companies have been increasingly considering ESG issues in their strategies and operations. The investment industry – including banks, institutional investors, and various other money managers – have similarly been assembling funds that evaluate ESG in the companies in which they invest and otherwise promote ESG as a marketing strategy. This activity was underscored by the now infamous memo authored by Larry Fink, CEO of Blackrock, on behalf of the influential business group the Business Roundtable, urging a new era in which ESG is a top priority for corporate leaders and investors. This trend has generated a wide range of responses and initiatives, including backlash by conservative state attorneys general who reject the notion of investments based on ‘woke’ policies. Criticism has centred on the unreliability and increasing politicization of ESG measurement.

The Securities and Exchange Commission (SEC) has also responded, issuing draft rules that would tighten up ESG reporting expectations of companies. A number of activist investors specializing in ESG, such as Engine No. 1, have also become involved by proposing socially oriented shareholder proposals to urge companies to improve their social and environmental performance. Students and other social-movement groups have demonstrated to convince pension funds and university endowments to divest from fossil fuel. Paradoxically, the Business Roundtable has opposed mandatory climate disclosures referenced above, prompting some accusations of hypocrisy and suggesting that corporations use voluntary ESG disclosure to avoid regulatory oversight rather than serve stakeholders (Ghazal, 2022). In Europe, a mandatory sustainability disclosure law already goes beyond what the USA is contemplating.

There are many other societal and political dimensions to this issue that are unfolding at multiple levels of analysis, but we observe a broad, complex, and recursive range of actions and interactions that transcend traditional notions and tactics of CPA and CSR. This complicated and fast-evolving landscape poses a plethora of challenges for companies’ social and political engagements. As such, our conceptualization of CSPE not only adds to but distinguishes itself from the traditional nonmarket strategy constructs (CPA and Strategic CSR). First, the context we describe reflects a wider range of stakeholder demands and much more complex socio-political issues than those portrayed in the conventional literature, which typically concerned a single, well-established dimension of nonmarket activity, such as lobbying and CSR reporting.

Second, CSPE underscores the need for a more integrated/holistic solution to inextricable social and political challenges than CPA or CSR (even the recent CPA-CSR interface literature) is able to provide. As can be seen from the above ESG case, companies and executives are confronted with pressures from a wide range of financial, social, and political stakeholders with different and oftentimes conflicting demands. The sheer complexity involved in the socio-political environment and the interactions among focal firms and socio-political stakeholders dwarfs that of the research settings in most conventional nonmarket strategy research.

Third, even in the case of specific strategies targeted toward political or social stakeholders, firms employ a wider range of tactics than is traditionally emphasized in the conventional CPA/CSR literature. Notable examples include US CEOs assuming political

positions/stands and communicating them to stakeholders (Chatterji and Toffel, 2018); MNEs engaging with multiple host-country actors to find innovative substitutes for bribery in developing economies (Stevens and Newenham-Kahindi, 2021); corporate self-categorization through the use of labels, rhetoric, and narratives to achieve a strategic fit with nonmarket actors and environments (Curchod et al., 2020); and aspirational political practices to exploit nationalism sentiments and win the hearts and minds of external stakeholders (Lubinski and Wadhvani, 2020).

### The Need for a New Perspective

Finally, the CSPE conceptualization manages to capture key insights from both the conventional nonmarket strategy and the political CSR literatures. While research on the political role of the corporation or political CSR has been framed as a critical alternative to the instrumental view on (or the business case for) CPA and CSR (Scherer et al., 2016; Scherer and Palazzo, 2011),<sup>[4]</sup> we view these two strands of research as largely complementary rather than rival in understanding corporate engagement with socio-political issues and actors. Echoing the political CSR researchers' call for understanding how corporations (should) become political actors by 'engaging in public deliberations, collective decisions, and the provision of public goods' (Scherer et al., 2016, p. 276), we are nonetheless interested in both the instrumental and normative aspects of CSPE. Accordingly, this broader perspective of CSPE that we propose reflects the contemporary realities facing business corporations and necessitates a rethinking of our knowledge stock that has traditionally informed interactions between firms and stakeholders within social and political contexts. After spelling out the contributions of the special issue articles through a two-dimensional framework of CSPE, we return to this new construct and discuss potential research directions/agendas in the final section.

### A TWO-DIMENSIONAL FRAMEWORK OF CSPE

Based on the preceding overview of the extant research and our introduction of the CSPE construct, here argue that a basic understanding of CSPE can be positioned along two dimensions: (1) whether the focal corporate engagement is with political actors, societal actors, or both; and (2) at what level of analysis those engagement activities unfold. Table I presents a simple framework that we then use to assess and situate the individual contributions to this special issue. A total of 10 papers included in this issue are summarized in Table II. As noted in our review above, there is a relative paucity of literature examining the micro-processes associated with CSPE, with most studies adopting a macro or meso perspective. Here we define macro/meso as firm and environmental levels, with micro focusing on intraorganizational units, individuals, and micro-processes.

Moving from top to bottom by column in our matrix, the upper left quadrant contemplates research that has as its primary focus CPA at the macro/meso level. This quadrant reflects the bulk of CPA literature that has explored the strategic use of lobbying, campaign donations, and the like (Lawton et al., 2013a). The bottom cell reflects research

Table I. CSPE and its interplay with macro-institutional environments and (intra)organizational micro-processes

	<i>CPA and engagement with political environment/issues</i>	<i>CSR and engagement with social environment/issues</i>	<i>Integrated/Broader CSPE</i>
Institutional complexity, pressures, and challenges facing firms (Macro)	Benischke and Bhaskarabhatla	Corciolani, Giuliani, Humphreys, Nieri, Tuan and Zajac	Blake, Markus and Martinez-Suarez
	Li, Xia, Zajac and Lin	Ho, Oh, and Shapiro	Röell, Arndt and Kumar
	Gounopoulos, Loukopoulos, Loukopoulos and Wood	Symeou and Kassinis	Van den Broek
Organizational micro-processes and intra-firm factors (Micro)			Moschieri, Ravasi, and Huy
			Blake, Markus and Martinez-Suarez

exploring the within-firm or organizational dynamics of political activity, including topics that explore how firms organize, deploy, and leverage their resources from within (Oliver and Holzinger, 2008). On the social side, in the upper middle quadrant, CSR-related scholarship has largely focused on how firms respond to stakeholder pressures through charitable giving, collaboration with NGOs, and various other strategies (Doh and Guay, 2006). Finally, in the upper cell of the far-right column is where emergent scholarship has informed corporate activities that combine or integrate CPA and CSR (den Hond et al., 2014; Sun et al., 2021b), and in the lower right quadrant is how those activities have interacted on a more micro level.

Below, we discuss these combinations further and situate contributions from the special issue within this framework.

### Political-Macro

As noted above, much of the CPA literature to date has adopted a mostly macro perspective on corporate engagement with political institutions/actors. Here, Li et al. (2023) examine how firms use rhetoric to navigate simultaneous and competing pressures from different governments. The authors argue that firms' rhetorical commitments to (or avoidance of) a government's policy are underappreciated and that this rhetoric may be a form of CSPE that is more subtle (and perhaps even more akin to CSR) than traditional CPA instruments such as engagement in electoral politics or informational lobbying. They quantitatively test their arguments in the context of Chinese firms' rhetorical responses to their home country's Belt and Road Initiative, finding that firms with a higher proportion of subsidiaries in countries not aligned with China were less likely to endorse the initiative via a press release, their annual report, or other means due to legitimacy concerns created by these host governments'



Table II. Papers in the special issue

Articles	Primary topical focus	Themes	Theoretical or conceptual perspectives	Method	Research setting	Institutional pressures and complexity	Key stakeholders targeted or engaged	Firm-level actors	Micro-processes
Li et al. (2023)	Political	Rhetorical commitment versus avoidance as a subtle form of corporate political behaviour	Institutional theory and the legitimacy perspective	Quantitative (Regression analysis)	Chinese firms in the context of the Belt and Road Initiatives	Polythetic governmental pressures: Opposing home-versus host-country political worldviews and policies	Home- and host-country governments	Firms (no within-firm constructs)	N.A.
Benischke and Bhaskarabhatla (2023)	Political	Regulatory capture	Regulatory capture and nonmarket strategy literatures	Quantitative (Regression analysis)	Noncompliance with price-ceiling regulation in the Indian pharmaceutical sector	Industry regulation	Regulators	Firms (no within-firm constructs)	N.A.
Gounopoulos et al. (2023)	Political	Lobbying, campaign contribution, and securities regulation	Agency and reputation theories; Regulatory capture	Quantitative (Regression analysis)	The initial public offering (IPO) process in the U.S.	Securities regulation	Politicians and the Securities and Exchange Commission (SEC)	IPO firms and financial intermediaries (no within-firm constructs)	N.A.
Corciolani et al. (2023)	Societal	MNE CSR reporting	Institutional theory	Quantitative (Content and regression analyses)	A sample of large MNEs headquartered in eight emerging economies	Tensions between home-country institutions and international CSR norms	Home-country socio-political stakeholders	Firms (no within-firm constructs)	Linguistic framing

(Continues)

Table II. (Continued)

Articles	Primary topical focus	Themes	Theoretical or conceptual perspectives	Method	Research setting	Institutional pressures and complexity	Key stakeholders targeted or engaged	Firm-level actors	Micro-processes
Ho et al. (2023)	Societal	CSR-social licensing relation	Social-contract theory	Quantitative (Regression analysis)	Global mining companies between 2008 and 2020	Rule of law in host countries; local community polarization	Local communities	Firms (no within-firm constructs)	Micro consent-based social contract vs. macro justice-based social contract
Symeou and Kassimis (2023)	Societal	Corporate social performance as a criterion in IJV partner selection	Institutional theory and the legitimacy perspective	Quantitative (Regression analysis)	IJVs in the global extractive industries	Legitimacy demands from societal stakeholders; foreign country corruption; International multi-stakeholder initiatives	MNEs, the host state, and local/international stakeholders	Firms (no within-firm constructs)	N.A.
Blake et al. (2023)	Integrated/CSPE	Nonmarket strategy formulation (political ties and CSR) in populist regimes	Populism and nonmarket strategy literatures	NA (Conceptual paper)	Populist regimes around the world	Political risks generated by populist regimes and their leaders	Politicians, bureaucrats, and constituencies in association with different political groups	Firms (no within-firm constructs)	Motivated reasoning (a subtype of confirmation bias) in politics

(Continues)

Table II. (Continued)

Articles	Primary topical focus	Themes	Theoretical or conceptual perspectives	Method	Research setting	Institutional pressures and complexity	Key stakeholders targeted or engaged	Firm-level actors	Micro-processes
Röell et al. (2023)	Integrated/CSPE	Institutional embeddedness of foreign subsidiaries	Institutional theory	Qualitative (multiple case studies)	Longstanding Dutch subsidiaries in Indonesia	Contrasting institutional logics between home- and host-country institutions	Local socio-political stakeholders	Local employees vs. expatriate managers	Cognitive framing and identity building
van den Broek (2023)	Integrated/CSPE	Lobbying; Construction of multiple CSR meanings	The discursive institutional approach	Qualitative (interviews and event observation)	The European Commission and Parliament	EU-based institutions involving the business-political exchanges	Politicians and societal stakeholders (e.g., NGOs)	Firms (no within-firm constructs)	Political actors' discursive strategies to turn CSR into corporate political access; political actors' ideas and discourses
Moschieri et al. (2023)	Integrated/CSPE	IJV; Social embeddedness; MNE-host government relations	Obsolescing bargaining and nonmarket strategy literature	Qualitative (multiple case studies)	Companies operating in Latin America experiencing host-country government expropriation	Host-country government hostility and expropriation	Local partners in IJVs and local nonmarket stakeholders	Headquarter-subsidary interactions	Cognitive process involved in responding to disputes based on proximal or mediated embedding

policies. In addition to this valuable empirical insight, their firm-level analysis introduces rhetorical commitment as a political instrument and examines how firms strategically deploy it when facing a legitimacy challenge created by competing polyolithic government pressures.

In contrast to the vast majority of CPA literature's focus on how firms positively incentivize policymakers to treat them favourably, Benischke and Bhaskarabhatla (2023) explore why firms might instead opt to employ negative incentives to 'capture' a regulator. Specifically, they examine what drives firms to intentionally be in noncompliance with new regulatory mandates within the context of price ceiling caps in the Indian pharmaceutical sector. Their principle finding squares with a traditional new institutional perspective in that mimetic pressures appear to be the key driver of noncompliance, and they also find that this relationship is positively moderated by a firm's scope and its sales. Ultimately, they conclude that in formulating their CSPE strategies, firms discount the social and financial costs of noncompliance both for themselves and social welfare if other firms are already running these risks. In addition to advancing our relatively thin knowledge of nonmarket strategy vis-à-vis regulatory institutions, the paper's focus on negative versus positive incentives is unique in the management literature.

Gounopoulos et al. (2023) investigate how CPA can influence regulatory scrutiny in the context of IPOs in the USA. They find that the political activities of issuers and intermediaries (as proxied by political donations) influence the oversight of the Securities and Exchange Commission (SEC) differently. Issuers' political activities attract attention and increase SEC suspicions related to the lack of transparency during the IPO process, while intermediaries' political activities result in greater transparency around IPOs as they seek to preserve their own reputations, and thus reduce SEC scrutiny. This study highlights the critical role of context and roles in CSPE, for even though these two corporate actors are targeting the same institution and using the same political tactic in doing so, they achieve different outcomes.

### **Political-Micro**

None of the published articles in this SI fall into this category, as no within-firm constructs are explicitly examined in those articles.

### **Social-Macro**

Similar to CPA and other political activity literature, much of the CSR literature has adopted a macro perspective. In this SI, Corciolani et al. (2023) draw on institutional theory to study CSR reporting from emerging market-based MNEs (EMNEs). Echoing the general notion of cross-border institutional multiplicity facing MNEs (Sun et al., 2021), the paper explores how EMNEs balance legitimacy benefits of global isomorphism and home-country-based institutional pressures by engaging in linguistic anisomorphism in their CSR reports. Despite general acceptance with international values/norms, they are selectively translated in the CSR reports based on home-country differences. Specifically, MNEs whose home countries were more reliant on national resource extraction de-emphasized the environmental component of CSR, and those from more autocratic regimes played down the

human rights component of CSR. Similar to Li et al. (2023), we believe the study enriches our understanding of CSPE from its rhetorical and symbolic management dimensions.

Ho et al. (2023) examine whether engagement in local CSR can help multinational mining companies obtain social licence in the local community – that is, approval of its existence. They draw on the social-contract theory to argue that when an MNC is highly committed to CSR activities in the local community, local stakeholders are likely to benefit from these activities and thus perceive the MNC's local presence as bringing distributive justice. As a result, these local stakeholders grant social licence to the company and thereby reduce its liability of foreignness. They also find important conditions that can affect the establishment of the social contract through local CSR, such as parent company's legitimacy, local rule of law, and polarization of local community. This study advances our understanding of the contingent effects of MNCs' local CSR engagement on their social acceptance in local communities.

Symeou and Kassinis (2023) approach the management of socio-political issues/environment in the context of foreign partner selection by host-country state-controlled entities (SCEs) in the extractive industries across the globe. Consistent with the legitimacy perspective rooted in institutional theory, they find that the social performance of a foreign candidate serves as an important criterion in an SCE's joint-venture selection consideration. In addressing legitimacy demands from local and international stakeholders in this unique industry setting, SCEs are found to prefer foreign partners with higher social performance, all else being equal. This partner-selection preference also varies with the degree of corruption in foreign partners' home countries, the host state's extant socio-political legitimacy, and the presence of supranational multi-stakeholder initiatives. This study suggests that CSPE is intimately related to market/commercial decisions such as IJV partner selection and calls for future research on how market-based activities are inherently shaped by socio-political factors.

### **Social-Micro**

Despite the reference to consent-based micro-social contact theory in Ho et al. (2023), no intra-firm constructs are explicitly examined in the SI articles that focus on corporate social engagement. Thus, none of the published articles in this SI fall into this category.

### **Integrated-Macro**

In the only conceptual work in this special issue, Blake et al. (2023) theorize around nonmarket strategy formulation in populist regimes around the world, with special reference to corporate political ties and CSR. After specifying the nature of political risks generated by populist regimes and their leaders, they develop propositions predicting the effectiveness of political-tie and CSR-activity configurations in mitigating these populism-related risks. What is more, the paper predicts how the strategic configurations may vary with the type of focal firms (outsiders vs. insiders under populist regimes) and the likelihood of populist regime collapse. While the strategies (political ties and CSR activities) studied in the paper are not new, it focuses on an institutional

context/challenge that was largely not mentioned in the prior nonmarket-strategy literature and reveals novel dynamics about how firms can engage with politicians, bureaucrats, and other constituents in association with different political groups under populism. Thus, it has crucial bearings on subsequent empirical inquiries into CSPE in this unique institutional context.

Röell et al. (2023) explore how MNEs and their emerging-market subsidiaries proactively negotiate engagement with local socio-political stakeholders. Drawing on institutional theory as it relates to local embeddedness and using a qualitative inductive, interpretative approach, they investigate how Dutch MNEs operating in Indonesia seek to leverage their expatriate managers and local employees to attain legitimacy with both political and social actors. Examining these interactions at multiple levels of analysis, they reveal that local employees embedded in both the MNEs' and the host country's sets of logics – rather than expatriate managers – most effectively facilitated sustained institutional embedding. The findings also indicate that creating structures that are in line with host institutional expectations and integrating practices into those contexts offers a platform for the development of institutional tactics used by regional staff. This article captures the importance of examining nonmarket activities through inductive case analysis at multiple levels of analysis, incorporating the role of both the home-country MNE and its subsidiaries, capturing variation among different actors within these subsidiaries (expatriate managers and local employees), and leveraging one particular dimension of theory (institutional embedding) to draw broader theoretical inferences about CSPE as it is transferred from one context to another.

Employing a discursive institutional perspective, van den Broek (2023) examines whether and how engagement in CSR increases firms' access to policymakers in the European Union. Far from finding a straightforward relationship in which CSR serves as a reputational buffer for firms (as appears to be the case in the USA context), van den Broek uncovers that CSR's meaning is highly contested in the EU and that its value in the political arena is co-constructed by firms, policymakers, and other interests to serve the interests of each. Employing archival research, event observation, and elite interviews, she identifies four discursive strategies that are in use in the interplay between firms and policymakers. This analysis makes two substantial contributions: First, it identifies an important boundary condition, a policymaker's own interests and demands, on how firms can strategically deploy CSR as an instrument for navigating institutional complexity. Second, it demonstrates how exploring recursive micro-processes between strategic actors can inform macro-level CSPE outcomes.

### **Integrated-Micro**

Moschieri et al. (2023) investigate how multinational corporations (MNCs) respond to the rising antagonism of host governments of alleged expropriations. In using a multiple-case study approach and dealing with institutional complexity, this research shows that managers' responses to these conflicts are shaped by their ability to gather, receive, and understand information, as well as to act on it in a way that successfully mobilizes local and worldwide support. These choices are referred to as proximal versus mediated embedding. The findings show that, contrary to the widely held belief that local partners

in international joint ventures protect MNCs from political authorities' abuse, relying heavily on local partners to manage the local nonmarket environment can actually increase the risk of outsidership and even lead to the creation of a 'liability of insidership'. In drawing broader theoretical inferences about CSPE, this article explicates how multinationals embed themselves in hostile environments and engage with local partners, and how these partners can preclude the MNC from developing strong relationships with a variety of nonmarket stakeholders.

In addition, Blake et al. (2023) touch upon a potential psychological bias held by firm leaders when discussing firms' assessment of a populist regime's fragility. According to motivated reasoning, a subtype of confirmation bias in politics, leaders in outsider and insider firms are likely to have different biases when assessing a populist regime's future prospects. Thus, they are advised to be mindful of them and make corresponding adjustments in devising their nonmarket strategies. Here, the authors point out an important cognitive/psychological factor that future empirical research should aim to measure and examine – the subjectivity of firm leaders' interpretation of social-political institutional realities based on their vested interests and ideological beliefs.

## **DISCUSSION, LIMITATIONS, AND AVENUES FOR FUTURE RESEARCH**

### **Discussion and Limitations**

The purpose of this introductory article was to shed light on socio-political issues and environments as well as to summarize some of the main scholarly lines of inquiry in this developing field. Consequently, we attempt to highlight recent advancements and future directions in the study of how businesses and corporate leaders deal with, manage, and profit from social and political challenges and surroundings. In so doing, we also presented a new conceptualization of these activities intend to broaden organizational and strategic perspectives on such business activities – CSPE – that combines and integrates the previously distinct domains of CPA and CSR.

In this article, we have attempted to provide both a high-level overview of the nonmarket literature and some value-added additions to that literature, namely in the CSPE construct and its applications. In the case of the former objective, our overview is naturally limited; there are a number of other literatures that have contributed to the corpus of research on social and political stakeholders and issues. While we have touched on institutional perspectives on CPA and the relevance of stakeholder theory to the literature on CSR, much more could be said about both of these foundational theoretical perspectives that our limited space did not allow. Indeed, there is a burgeoning scholarship that challenges the very assumptions behind CSR and its use and manipulation by firms (Crane et al., 2014), the 'decoupling' of authentic CSR and its sometimes-cynical usage (Weaver et al., 1999), and the tension between 'substantive' and 'symbolic' CSR, all topics that are outside the scope of our brief contribution.

## Future Research Directions

Building on the simple schema we introduced here that focused on the level of analysis (institutional vs. organizational vs. micro), topical focus (CPA, CSR, and broader socio-political engagements), and contributions from the special issue, we capture below some themes that may be relevant in defining potential future research agendas for CSPE.

*The (mis-)alignment of CPA and CSR.* Assumptions about the integration and alignment between CPA and CSR require further exploration. For example, while den Hond et al. (2014) theorized about the potential downsides of misalignment of CPA and CSR, there have yet to be any substantial empirical explorations of that phenomenon, although it has gained substantial popular attention. Thus, existing work, such as van den Broek's (2023) and Ho et al.'s (2023) articles in this special issue, have only gone so far as to explore CSR as a CPA-like instrument. However, firms' CSR and CPA may not always be aligned, and this nonalignment or misalignment may be inadvertent, emergent, or deliberate (e.g., 'talking green while lobbying brown'), but we so far know little about if, when, how, and why firms inadvertently or deliberately separate or misalign their CPA and CSR. As this interrelationship is at the heart of understanding firms' CSPE strategies in a holistic fashion and is necessary for us to understand the net impact of firms' CSPE on social welfare, we believe empirical inquiries into this topic are immediately needed.

*Psychological and ideological characteristics.* Several studies in the special issue capture psychological and cognitive frames (Blake et al., 2023; Moschieri et al., 2023; Röell et al., 2023). From these studies, and their application of organization theory, we gain a deeper understanding of how institutional circumstances influence various corporate nonmarket activities across countries, as well as the potential downside and unintended implications of such actions. Hence, it is imperative that we bridge the micro–macro gap by better comprehending how organizational decision making with regards to CSPE is influenced by the psychological and ideological characteristics of business executives (e.g., Chin et al., 2013; Marquis and Qiao, 2020). For example, future studies can explore whether and how the micro-foundations of CSPE decision making and implementation vary across institutional contexts. Researchers may investigate what roles ideology, cognition, motivation, and risk appetite play in shaping executives' framing of socio-political issues and their management approaches to them. Moreover, studies can also explore how the psychological/personal traits of corporate executives interact with organizational characteristics and formal/informal institutional environments to affect CSPE formulation and implementation. To do so, we believe that nonmarket strategy scholars may wish to draw on important studies by Powell et al. (2011) and Lin et al. (2019), who capture important behavioural constructs in their respective works.

*Regulatory capture.* Two studies in the special issue demonstrate ways to assess the effectiveness and impact of CSPE on managing firms' interactions with regulators in India and the USA, respectively (Benischke and Bhaskarabhatla, 2023; Gounopoulos



et al., 2023). The results of these papers, as reflected in other works on the topic (e.g., Marquis and Qiao, 2020), indicate that when considering CSPE in the regulatory stage of the issue life cycle, researchers need to give great care to institutional contingencies and multiple levels of analysis. For example, scholars can explore the extent to which CSPE at this stage is shaped by national and supranational (e.g., EU) geographic contexts, by interstate conflicts, by idiosyncratic national or subnational (e.g., US states) regulatory structures, and by the CSPE of industry competitors – including their effects on social welfare. Further, much more micro-level work is needed to understand how micro-level factors, such as the revolving door (Fu and Sun, 2023; Palmer and Schner, 2016), interact with the above contingencies in terms of determining firms' CSPE activities and affecting their efficacy in shaping regulatory outcomes.

*Stakeholders.* The studies from Ho et al. (2023), van den Broek (2023), and Blake et al. (2023) clearly demonstrate the importance of different socio-political stakeholders in CSPE. Drawing on these important studies, we believe that stakeholder research can benefit from using social-movements theory, for example, as a lens for understanding how different populist movements can quickly create institutional frictions, and whether and how CSPE might address them. More specially, future research can explore whether the challenges firms experience from right-leaning populist leaders or their movements have similar effects as those from left-leaning populist leaders (e.g., negative impacts on firm performance at home and abroad). More importantly, scholars can ask how and why populists and/or movements target different types of firms, whether movements are successful in their activism, whether and how firms respond recursively by adjusting their CPSE, and whether these countermoves by firms succeed. Further, social-contract theory can be useful to explore whether settlements or arrangements reached across different communities and industries across different institutional contexts are likely to hold.

## CONCLUSION

This special issue aimed to attract cutting-edge theoretical/empirical research that sheds light on the nature, antecedents, management, consequences, and public/private regulation of corporate socio-political engagement. Together, the papers within reveal how CSPE activities are shaped by institutional, organizational, and individual contexts, and they critically assess the impact of such activities, including their dark side. Moreover, the multilevel analyses and different theoretical approaches they employ have produced a pioneering set of papers on the interplay between business and society that will enrich and strengthen the nonmarket strategy field. We hope future research will extend the contributions of these studies and generate fresh insights into CSPE activities across the globe.

## NOTES

- [1] Additionally, to the degree that movements raise the partisan salience of corporate involvement in socio-political issues, they may also create/strengthen internal constraints by making firms' internal stakeholders more reluctant to participate in politics on behalf of their employer (Li, 2018).

[2]For an exception, see Mbalyohere and Lawton (2018).

[3]For a review of this topic, see Dong and Luo (2022).

[4]*Journal of Management Studies* published a special issue on political CSR in 2016. Please refer to that issue for exemplary research on that topic.

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