To Choose Informational and Financial Political Access or Not? The Influence of Access Political Strategies on Subsidiary Performance of Emerging Market Multinationals

Conference or Workshop Item

How to cite:


For guidance on citations see FAQs.

© 2020 The Authors

Version: Accepted Manuscript

Link(s) to article on publisher’s website:
https://aib.world/events/2020-miami/

Copyright and Moral Rights for the articles on this site are retained by the individual authors and/or other copyright owners. For more information on Open Research Online’s data policy on reuse of materials please consult the policies page.

oro.open.ac.uk
Introduction

Even though the literature on political strategies has sought to understand how multinational enterprises (MNEs) engage in their non-market environment (Doh, Lawton & Rajwani, 2012), there has been limited research to understand how these strategies are employed by developing country MNEs entering developing country contexts with weak formal and different informal institutional environments. Political strategies—which involves the management of a firm’s political capabilities and its actors to influence the public policy outcome of the environment (Baron, 1995; Getz, 1997)—are argued to be particularly relevant in developing economies where resource dependencies on the government are stronger (Rajwani & Liedong, 2015); firms are expected to develop political connections to access critical political resources and to shield themselves from the perils of political extortions (Mellahi, Frynas, Sun & Siegel, 2016; Peng & Luo, 2000)

However, there is limited research on the nuances of political strategies across borders where MNEs operate subsidiaries and adapt to environments that are uncertain and institutionally weak. Rajwani and Liedong (2015) argue that in weak institutional environments, firms employ more relational political strategies to build relationships and form connections, with a minimal engagement in access political strategies - a combination of informational and financial political strategies - which tend to have relatively more positive influences in developed institutional environments (Voinea & Van Kranenbur, 2018). More so, the access political strategy- performance relationship has not been examined in weak and uncertain institutional environments which Lawton, Mcquire and Rajwani (2013) argue may influence the mechanism of the relationship.

Studies on political strategies, including access political strategies, have mostly been restricted to domestic operations (e.g., Getz, 1997; Hillman & Wan, 2005; Hillman, Keim, & Schuler, 2004; Hillman, Zardkoohi, & Bierman, 1999; Mbalyohere, 2015), with little interrogation of the mechanisms in cross-border businesses. More especially in contexts where the home
To choose informational and financial political access or not?

and host institutional contexts are weak and uncertain (Puck et al., 2018). This is particularly relevant in the African context, characterized by its weak institutional environments and high levels of uncertainty (Barnard et al., 2017).

This paper attempts to understand how South African multinationals, with business across the African continent, employ access political strategies and its effect on subsidiary performance. We employ a dynamic capabilities perspective drawing on the resource-based view of the firm as the overarching theory while also taking into account the contextual influences of weak institutions (Barnard, Cuervo-Cazurra & Manning, 2017). This research extends the field of corporate political strategies by employing the dynamic capability perspective to explain the role of proactive and defensive access corporate political strategies in the performance of emerging market MNE subsidiaries in uncertain host-country environments. The research finds, from an empirical study of senior executives of South African MNE subsidiaries in sub-Saharan Africa that access political strategies have a negative influence on subsidiary performance. It also finds that there is a negative and insignificant moderating influence from political risk on the relationship between access political strategies and subsidiary performance.

This paper is structured as follows: First, we interrogate the theoretical framework of the access corporate political strategy literature, using the institutional-based view to contextualize the setting of the study. Second, we employ the dynamic capabilities perspective to situate the theoretical framework for political strategies and performance. We quantitatively interrogate the effect of access political strategies on subsidiary performance and conclude the paper with a discussion of the research findings and suggestions for future research.

A Review of the Access Political Strategy Literature

Access political strategies can be approached transactionally, where firms only employ political strategies in response to a certain issue (Hillman & Hitt, 1999). They are employed by firms to gain access to the environment that they operate in and comprise both information and financial
To choose informational and financial political access or not?

Political strategies (Schuler, Rehbein, & Cramer, 2002). Information political strategies are typically targeted at government institutions concerned with policymaking. They seek to influence policy outcomes and decisions (Rajwani & Liedong, 2015) and are categorized into lobbying, petitions, research and comments, all with a core purpose of influencing the environment within which the firm is situated. Even though its focus is on providing information, it could also include an indirect financial component where resources are engaged to facilitate the process of information sharing. As an informational strategy, a firm may provide information through interest groups to policymakers (Grossman & Helpman, 1994), increasing profits at a micro level, and economic growth and welfare at a macro level.

Informational access strategies like lobbying are relatively common instruments of influence (Gawande, Krishna, & Robbins, 2006) surpassing campaign contributions in the funds invested in them (De Figueredo & Richter, 2014). Lobbying is one of the least investigated but effective political strategies of firms (Chen, Parsley & Yang, 2014; Rajwani & Liedong, 2015), especially in economies that are not fully developed. The literature suggests that lobbying positively influences firm performance through increasing future excess returns, reducing tax, increasing subsidies, increasing government contracts and reducing trade restrictions (Chen et al., 2014; Gawande et al., 2006). For example, Chen et al (2014) using data from the United States Lobbying Disclosure Act 1995, find that on average lobbying is positively related to accounting and market measures of financial performance. Gawande et al. (2006) in their study of United States data on foreign political strategies, concur. They find that tariffs are strongly positively correlated with the presence of organized import-competing lobbies, but negatively with the presence of organised foreign lobbies. Lobbying positively influences accounting and market measures of performance (Chen et al., 2014; Mathur & Singh, 2011). However, amid all the positivity described in the lobbying-firm performance nexus, there is still a lack of clarity about the precise relationship. Chen et al. (2014) assert that concerning stock price performance there has been no systematic study that finds that lobbying increases the returns
To choose informational and financial political access or not?

on a firm’s shares. However, much of the research has been limited to the US (Liedong & Frynas, 2018), where data on lobbying has been compiled since the introduction of the Lobbying Disclosure Act in 1995. In less developed economies with weaker institutions, information to track lobbying expenditure is limited (Rajwani & Liedong, 2015), with scholars asserting that this may be one reason for the weakness of information strategies in influencing firm performance (Mellah et al, 2016; Doh et al, 2012).

Financial political strategies, on the other hand, involves the use of directed financial pressure (Hillman & Hitt 1999) in the form of political action committee (PAC) contributions, soft money campaign contributions, election advertising, party-voter mobilisation and other financial tactics aimed at influencing policy (Schuler et al., 2002). PAC contributions are made to specific candidates to facilitate their gaining access to decision-makers (Hansen & Mitchell, 2000). Soft money contributions are made to entire parties but have been illegal in the United States since 2000. In the United States, PAC contributions have been observed from local firms and (in the case of international businesses) from subsidiaries with strong support from the parent organisations (Hansen & Mitchell, 2000).

Emerging markets like those in sub-Saharan Africa are plagued by varying levels of political risk, instability and turbulence, especially concerning the regulations and formal institutions that coordinate a functioning business environment (Luiz & Stewart, 2014). In particular, there is a dearth of rules guiding the operations of political strategies such as lobbying, campaign financing and contributions made by businesses to politicians (Rajwani & Liedong, 2015). Where such regulations exist, data from the database on Money, Politics and Transparency suggests that only Rwanda, Kenya and South Africa allow direct funding to political parties for campaigns and even at that, the emphasis is relatively more on the documentation of these laws than on the implementation with only South Africa and Rwanda noted as exceptions. How-
To choose informational and financial political access or not?

ever, these regulations and disclosures are vital in providing a framework to enhance the understanding of the role of corporate political strategies (Lawton et al., 2013), especially within the African context.

MNEs in risky host environments generally favour less visible forms of political strategy (such as lobbying) over campaign contributions and charitable giving, which might set them in opposition with other firms or indicate ties with certain parties (Hansen & Mitchell, 2000). For example, De Villa. Rajwani, Lawton and Mellahi (2018) have found support for low visibility as a non-engaged approach to political strategies for MNEs operating in risky host environments, or environments with wide home and host country institutional distance. Research (Gawande et al., 2006; Hansen & Mitchell, 2000) suggests this is even more marked for foreign MNEs, which do not wish to appear to be influencing the domestic economy, which could suggest detrimental outcomes for the economy to the benefit of the MNE.

MNEs also employ other indirect financial strategies to gain access to policymakers, such as appointing previous government employees to their governance boards (Hillman & Hitt, 1999; Hillman 2003; Hillman & Wan, 2005). Blumentritt and Nigh (2002) observed in the 2000 Bridgestone controversy that firms use political appointments to also gain access to policymakers. In particular, Bridgestone set up a subsidiary in Washington, the seat of government, with a former senior government administrator as its head. More recently and closer to the research context, the recent MTN and Nigerian government controversy has seen the South African telecommunication multinational appoint an international advisory board with strong political stalwarts from the host region (Maninjwa 2019). We, therefore, argue that there is an overlap between the financial and informational political strategies seeing as funds are expended to be able to either lobby or hire previous government employees. To delineate, this paper classes direct financial strategies like PAC contributions, soft money or campaign contributions as financial political strategies and indirect financial strategies like hiring previous
To choose informational and financial political access or not?

government employees, as informational political strategies. In weak institutional environments with poor access political strategy infrastructure, MNEs may engage in less use of access political strategies due to the communal, less pluralistic and less individualistic institutional structure (Hillman, 2003; Rajwani & Liedong, 2015).

To adequately interrogate the role of the institutional environment in the interrogation of corporate political strategies in emerging economies, we employ the new institutional economics approach to institutional theory. Hotho and Pedersen (2012) assert that such nuanced interrogations of the institutional-based view provide a more coherent understanding of how institutions matter in international business.

Theoretical Background

New Institutional Economics

New institutional economics as propounded by North (1990) focuses on the formal influences of regulations and how it constrains individual or firm behaviour (Cuervo-cazurra, Mudambi & Pedersen, 2019). This approach of the institutional environment to international business research portrays that the rules of the game in the host country environments influence the MNE's response to the environment. Where the environment is characterized by a stable institutional environment and relative certainty, MNEs are better able to reduce their costs and uncertainty (Hotho & Pedersen, 2012).

In weak institutional environments, host country uncertainty increases transaction costs and influences the environment so much so that it shapes the corporate political strategy that firms employ (Lawton & Rajwani, 2013). This largely determines the political choices and decisions of firms (Doh et al., 2012): Whether the firm engages in a more institutionally supported political strategy like the use of PAC contributions in the United States or they employ the use of political ties to policymakers and government officials in politically uncertain
To choose informational and financial political access or not?

environments like Indonesia (Dielemann & Boddewyn, 2012). Thus affecting the firm's ability to maintain or increase their competitive advantages (Doh et al., 2012). These considerations make it necessary for political strategy research to understand how the institutional environment influences the political strategy-performance nexus. In emerging economies, like all other environments, the influence of institutions leads to varying behaviours and strategies, where firms either choose to adapt, appeal or avoid (Cuervo-Cazura et al., 2019).

Fainshmidt et al. (2017) categorize understudied economies and institutional systems. They move past the two primary frameworks of "varieties of capitalism" and "national business systems" – which pay little attention to the developing world (Hotho, 2014) and ignore the influence of political bargaining – to include the unique contextual aspects of social, cultural, legal and economic variables. This conceptualization is relevant to an understanding of African economies, as it permits a more contextual view of the African rules of the game and takes into account the influence of the state, financial markets, social capital, corporate governance and human capital (Fainshmidt et al., 2017). Their categorizations divide African institutional systems into regulatory, welfare, developmental, and predatory states. The more relevant categories to the African context are the developmental states like South Africa which seek to exert control through business policies for the long-term improvement of their economies; and the predatory states like Nigeria which are characterized by a lack of transparency in policies, weak institutions and poor market co-ordination (Carney & Witt, 2012; Fainshmidt et al., 2017).

Of the 68 countries assessed by Fainshmidt et al, (2017), 75 per cent of the sub-Saharan African countries are predatory and/or developmental with a majority of states as predatory, implying that formal institutions are weak, market co-ordination is poor and policy/policy-making is opaque and thus largely politically subjective. We interrogate the institutional nuances to understand the direct influence of access political strategies and the moderating influence of political risk on the relationship between the access political strategies and subsidiary performance.
To choose informational and financial political access or not?

Dynamic capabilities as a framework for political capabilities and political strategies

Political capabilities refer to the firm attributes, relational assets and human, social and reputational resources that allow the MNE to use the political process to attain political objectives such as legitimacy and improved performance (Frynas, Mellahi, & Pigman, 2006; Hillman et al., 2004; Mbalyohere, 2015). These resources may include all the financial, informational, relational, physical, organisational and human resources that firms use, together with other market strategies, to improve their capabilities and develop competitive advantages (Baron, 1995; Sun, Mellahi, & Liu, 2011). They are also used by the firm to gain access and develop ties with political actors in the environment (Holburn & Zelner, 2010). In international business, MNEs use their political capabilities to protect their sunk investments (Mellahi et al., 2016), even as they try to influence the policy environment of the host-country (Holburn & Zelner, 2010).

The literature on dynamic capabilities extends into many sectors and draws from diverse theoretical perspectives (Di Stefano et al., 2014). However, it still retains its definition as dealing with either an internal or external changing environment (Zahra, Sapienze & Davidsson, 2006). Its precise origin dates back to the 1990s, with Teece, Pisano and Shuen (1997) referring to it as "... the ability of firms to integrate, build and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997, p.516). Dynamic capabilities are perceived as “an emerging and potentially integrative approach to understanding the newer sources of competitive advantages” (Teece et al., 1997, p.510), even as the firm gains legitimacy within its operating environment (Zahra et al., 2006). Key to conceptualizing capabilities is that, although they are distinct from strategies, dynamic capabilities imply a tripartite scheme of sensing, seizing and transforming (Teece, 2014). This is a higher-order level of capabilities operating closely with a firm’s strategy to yield competitive advantages. As Teece (2014) asserts “dynamic capabilities are not just the gears and drive train of the organizational machine, they include the entrepreneurial consciousness, imagination and human action that
To choose informational and financial political access or not?

guide it” (p.339). Dunning and Lundan (2009) concur, linking dynamic capabilities to institutional environments and asserting that “the ability of firms to encounter non-ergodic uncertainty by engaging in organisational experimentation constitutes a fundamental dynamic capability” (Dunning & Lundan, 2009: p.19). This research draws on the premises above, Teece’s (2007) position (that the essence of dynamic capabilities is to develop and distribute intangible assets that lead a firm to long term performance), and Oliver and Holzinger’s (2008) conceptualization of political strategies, to assert that the use of political strategies by MNEs is a dynamic capability permitting them to strategically manage their uncertain political environment.

This uncertainty provides the requisite conditions for dynamic capabilities to evolve (Teece et al, 1997; 2007). Studies linking the dynamic capabilities perspective to corporate political strategies are limited, but Oliver and Holzinger (2008) hold that by employing this theoretical view, scholars will be able to explain the effects of political dynamic capabilities on firm performance, especially as these capabilities seek to integrate, use and generate further capabilities that may influence the market environment. Over the 20-year history of the field, scholars of dynamic capabilities have divided their discussions between two main theoretical perspectives (Di Stefano et al., 2014): behavioural theory (as seminally argued by Eisenhardt and Martin (2000) and resource-based theory (as argued by Teece et al. (1997). Eisenhardt and Martin (2000) define dynamic capabilities as specific and identifiable processes that are homogenous and substitutable across firms, such as product development and strategic decision and alliance-making. By this view, firm capabilities are derived from exploiting both the internal and the external firm competences in response to a changing environment.

The development of dynamic capabilities is premised on the firm possessing a framework for building, maintaining and enhancing capabilities. Such frameworks are established based on the current environment and the problem by which the firm is challenged (Teece et al. 1997). Institutions also remain a critical element of the business environment,
To choose informational and financial political access or not?

playing an important role in the firm’s development of dynamic capabilities. Such capabilities are broadly divided into sensing opportunities, seizing opportunities and employing available firm assets to manage possible threats (Teece, 2007). We suggest that emerging market MNEs in uncertain developing markets develop political capabilities deployed to adapt to and influence their business environments through the use of higher-level strategies permitting firms to operate more efficiently under conditions of uncertainty (Teece, 2014). These abilities, capacities and competencies are geared to meet the challenges of supply and demand in either the market (Dunning & Lundan, 2009) or non-market environment.

The essence of the mechanism of dynamic capabilities is that MNEs do not merely possess capabilities, but strategically employ them towards a focussed aim. In uncertain institutional markets, where the formal rules of the game (North, 1990) necessary for maintaining stability are differently developed or have broken down, MNEs are forced to develop the capacity to cope with the inherent uncertainties. Arguably, in such contexts, informal institutions then provide the rules by which MNEs may have to operate. Bonardi (2011) argues that political capabilities do not qualify under the resource-based and dynamic capabilities view as valuable, rare, inimitable and non-substitutable (Teece et al., 1997; Wernerfelt, 1984). However, and in sharp contrast, Lux, Crook and Leap (2012) describe the benefits of using political capabilities as equivalent to those derivable from a firm’s using any other dynamic capability. Context matters here.

Importantly, within the context of uncertain institutional systems and gaps in regulation, a firm that is politically able to engage with its host environment (De Villa, Lawton & Rajwani, 2018) – by, for example, constituency-building, providing political information through lobbying and contributing to political campaigns – employs specific capabilities that can sense, shape and seize opportunities and threats while maintaining competitiveness (Teece, 2007). Further, because of the absence and/or weakness of political institutions in emerging economies
To choose informational and financial political access or not?

(Barnard et al., 2017; Doh et al., 2012; Weymouth, 2012), employing political capabilities does have a direct connection to how politically influential a firm is. This paper, therefore, argues along Oliver and Holzinger's (2008) dynamic political capability lines, that a firm's effective use of political strategies is a dynamic capability which yields a competitive advantage. For example, being connected to a government is a capability that may be hard for competitors to imitate (Bonardi, 2011), and in institutionally weak and uncertain environments, this is a dynamic capability. Nevertheless, the dynamic capability perspective is fraught with inconsistencies and critiques to its theoretical rigour and consistency (Arend & Bromley, 2009), and these criticisms may limit its application even to the political strategy literature.

The dynamic capabilities view, framed within an institution based perspective provides a framework to understand the dynamics of African organisations within their dynamic contexts (Zoogah et al., 2015). Lawton et al (2013) draw out the relevance to the institutional environment of the capabilities an MNE possesses. These capabilities provide a basis for understanding how MNEs respond to their non-market environment as it influences business in emerging markets (and by extension developing markets) where institutions are constrained by levels of economic development. Baron (1995) asserts that for managers to deal adequately with issues arising from the non-market environment, they will need to develop a system that brings together the company's capabilities; knowledge of the contextual environment, and the company's strategic objectives. This position is supported by Hillman and Hitt (1999), who assert that using the construct of political capabilities as a tool for generating a better understanding of corporate political strategies can enhance theory in the corporate political strategies literature. This paper explores Hillman and Hitt's (1999) position. It explicates political capabilities in uncertain environments as dynamic capabilities deployed as proactive and defensive political strategies (Oliver & Holzinger, 2008). The next section builds on this framing, as we conceptualise how political capabilities in uncertain environments are political dynamic capabilities we discuss the mechanisms through which political dynamic capabilities are
To choose informational and financial political access or not?

strategies and close by classifying political strategies into a framework of proactive and
defensive strategies which MNEs use to influence the host environment.

Political dynamic capabilities are defined as the dynamic processes by which MNEs influence or comply with their host political environment to maximise efficiency through increased or sustained value (Oliver & Holzinger, 2008). They are valuable, rare, inimitable and non-substitutable (Eisenhardt & Martin, 2000; Teece, 2007; Teece et al., 1997). These capabilities have value apart from their non-substitutable (Bonardi, 2011) character. They provide value through creating access to the suppliers of policy, thus influencing policy decisions, sometimes initiating the seeds of a new relationship between the business and government (Hillman et al., 2004). Rajwani et al (2013) describe them as organisational capabilities. In emerging economies in Asia and Africa, they are often developed from personal ties (Liedong & Frynas, 2018) that develop into political capabilities that are rare and cannot be easily imitated. An extreme example may be observed in the influence of the Gupta family in South Africa. A personal relationship between role-players dating back to the early 1990s developed to a point where policy decisions and appointments could be controlled by one unelected family (Oluyemi, 2017; Madonsela, 2016).

In politically uncertain environments where policies are volatile, a dynamic political capability provides the firm with institutional assets (Dunning & Lundan, 2009) that can maximise its performance (Oliver & Holzinger, 2008), through its political strategies. Firms deploy the political capabilities they possess into strategies to effectively navigate their environments (Luo, 2000) through buffering or bridging (Meznar & Nigh, 1995). Political buffering strategies are concerned with protecting the firm from the external political or social environment while simultaneously seeking avenues to influence it (Mellahi et al., 2016; Meznar & Nigh, 1995). They are undertaken to influence the policy environment in favour of a firm’s operations and performance (Oliver & Holzinger, 2008). Defensive buffering strategies are developed either through lobbying or advocacy, and seek to maintain the value the firm enjoys
To choose informational and financial political access or not?

despite policy changes in the environment; while proactive buffering strategies seek to create value for the firm by actually affecting policies through influencing legislation and constituency-building (Hillman & Hitt, 1999; Oliver & Holzinger, 2008). Firms access their political responses to institutional pressures by either employing their predictive capabilities to defend or their manipulative capacities to proactively shape the non-market environment. Political buffering strategies include lobbying, campaign contributions, public relations campaigns, and building personal and organizational ties to socio-political institutions and actors (Sun et al., 2011).

De Villa et al (2018) categorize bridging political strategies into adaptive political strategies, where firms seek to dynamically react to changes in an uncertain institutional environment. Sometimes these adaptive strategies are poised so as not to engage with the institutional environment, like low visibility and rapid compliance (De Villa et al., 2018). These reactive and anticipatory strategies, however, do not directly influence the non-market environment and may not be able to yield a competitive advantage for the MNE, especially where they have to deal with the institutional duality between their home and host environments (Oliver & Holzinger, 2008). Proactive and defensive strategies are better poised to improve the competitive advantages of MNEs, as they can influence policymakers to make policies favourable to the MNE (Hillman & Hitt, 1999). The level, choice and benefits of these strategies are influenced by the formal and informal institutional frameworks of the environment (Liedong, 2015).

Hypothesis development

Access political strategies and subsidiary performance

In developed economies, access to political strategies has been individually observed to yield positive influences for the firms that engage in them. An example is observed in the use of campaign contributions by firms in the United States. The evidence from domestic firms in developed markets suggests that the relationship between access political strategies and
To choose informational and financial political access or not?

performance is positive (Hillman, 2003), so also does the evidence from foreign firms in emerging markets (Heidenreich, Puck, & Filatotchev, 2014; Nell, Puck, & Heidenreich, 2015). However, some conditions in emerging markets with emerging market MNEs may suggest that the relationship is more complex – including the uncertainties in the host-country environments, the inability to account for access political strategies employed by MNEs and the influence of the home country institutions. Even though the ambiguity in the direction of the relationship between political strategies and performance hold (Mellahi et al., 2016), based on the logic that MNEs with direct access to policymakers are better able to influence policies, we hypothesize that:

H1: Access political strategies are positively associated with the subsidiary performance of MNES in emerging country environments

The influence of host country political risk

The multi-faceted construct of uncertainty requires that scholars interrogate the construct as it pertains to the particular context of the research. Overall, the literature suggests that uncertainty creates larger transaction costs for firms especially as it relates to their relationship with the government (López-Duarte & Vidal-Suárez, 2010; Williamson, 2002). It is through this influence of costs that firms either improve or decrease performance in comparison to costs that may be incurred. Firms that can gain access to the political process may benefit from a reduction in uncertainty, reduced transaction costs and increased survival (Hillman et al, 1999).

Dealing with relatively measurable uncertainty demands that MNEs develop more effective capabilities to succeed. These capabilities include learning to cope with their liabilities of foreignness, and developing and using political capabilities (Sun Mellahi & Thun, 2010). This capability creation process takes the risks into account in determining what may benefit the firm. The firm deals with the challenges of the external environment and enacts environments favourable to its success. Thus it is important to consider the influence of the risky environment.
To choose informational and financial political access or not?

on those stakeholder engagements key to firm strategy (Boddewyn, 2016; Boddewyn & Brewer, 1994; Sun et al., 2012). Host country risk in this paper is therefore defined as the relatively measurable levels of uncertainty that an MNE operating in a host environment will need to face while operating in the environment. To the extent that uncertainty can be measured Knight (1921) argues that it can be viewed as a risk

Political risks may affect the formal political institutions and how they operate (Kobrin, 1979). It increasingly clouds how, where and when the rules of the game may be applied, given that political-actor constraints are significantly reduced (Cuervo-Cazurra, Ciravegna, Melgarejo, & Lopez, 2018; Henisz, 2002). Based on this logic, it is arguable that in environments with high levels of political risk, MNEs may find that this influences the results of their political strategy choices. We argue that political risks moderate the influence of access political strategy on performance and therefore hypothesize that:

H2: Political risk moderates the relationship between access political strategies and subsidiary performance in that the relationship is stronger when the political risk is higher. The conceptual framework is illustrated in figure 1

[Insert Figure 1 here]

Materials and Methods

This study employs the partial least squares- structural equation modelling (PLS-SEM), which uses an interaction of regressions premised on the ordinary least squares (OLS) approach (Hair, Sarstedt, Pieper & Ringle, 2012a; Kock, 2017; Richter et al., 2016). The selected research population includes all MNEs originating from South Africa. MNEs from the natural resource and financial industries were excluded to reflect the conscious drive within African economies to move away from the dependence on natural resources, plus the increased intra-African investments in other industries (Boso et al., 2016). The latter were excluded from the main research sample but were used as the pilot population. The frame from where the research
To choose informational and financial political access or not?

A sample is drawn is the Johannesburg Stock Exchange (JSE) which lists 75 South African MNEs that meet the criteria for the research: they have their origins in South Africa; have subsidiary operations in the rest of Africa, and are not based in the natural resources or financial industries. Because sampling frames are not always easily accessible or representative (Reynolds, Simintiras, & Diamantopoulos, 2003), this study employed a two-stage strategy to determine the sample frame. First, we identified MNEs willing to participate in the research by sending out invitation emails to all the MNEs listed on the JSE. Following Liedong (2016), follow-up strategies encouraged MNE buy-in, including offering to share the research results with the companies and providing them with executive summaries of the findings. Following White, Fainshmidt and Rajwani (2018), we also leveraged on personal and institutional prestige and networks to gain access to executives from the MNE headquarters. Subsequently, we derived the total number of African subsidiaries for the willing South African MNEs from the Osiris database. The final sampling frame based on the MNEs recruited for this study comprised 117 subsidiary operations across the western, eastern and southern regions of Africa.

Following previous research across borders in emerging economies, we employ an expert-purposive method of sampling, to access senior executives of multinational subsidiaries (Buckley, Chen, Clegg, & Voss, 2018; White, Fainshmidt, & Rajwani, 2018). We solicited written authorization from the MNE headquarters to encourage the managers of subsidiaries to respond (Hillman, 2003; Hillman and Wan, 2005), by giving them more confidence in the process. Managers were thus chosen based on being involved in the decision-making of their organizations and being able to provide the necessary information. Senior managers of subsidiaries in all three regions – eastern, southern and western Africa – were consulted, to ensure coverage of such functions as subsidiary manager, financial manager, public relations manager, sales and marketing manager, corporate affairs manager and human resource manager (Andersson et al., 2001; Shaffer, 1995; Hillman & Wan, 2005). We also considered that organizational structures may differ across MNE subsidiaries, with some structures flatter
To choose informational and financial political access or not?

than others, and thus included senior managers occupying similar roles, irrespective of the formal title. Although title inconsistency among those surveyed might be perceived as a limitation, the strength of this approach is that all the executives from whom data was gathered did have access to the relevant strategic information. Of the 117 subsidiaries surveyed, 68 responses were received from subsidiary executives. A 9.7% response rate assuming that each subsidiary has all six senior executives considered.

*Independent variables*

The latent variable, access political strategy measures how South African MNEs engage to gain access to policy-makers in their host country. This construct is expressed through the information and financial strategies of the MNE. We gather this data using a five-point Likert scale of the theoretically derived questions and interrogate the suitability of this measure using the composite reliability findings.

*Moderating variable - Political risk measure*

This research makes one of its distinctive contributions to the corporate political strategy literature by the extent to which it considers the context of weak institutions and uncertainties in sub-Saharan Africa. we include the contextual influence of uncertain environments by interrogating the influence of political risk (Hadani, Bonardi, & Dahan, 2016; Kingsley, Vanden Bergh, & Bonardi, 2012). The research employs the Business Monitor International (BMI) Political Risk Measure, which quantifies the risk of shocks to the political environment that could affect business conditions in a country, such as a sudden change. The measure employed is the Short-term Political Risk Index, valid for any current and subsequent year. This considers four aspects of the macro environment to determine risk: the policy-making process (which measures the government's ability to propose, pass and implement its policies); social stability (which measures the weaknesses in an economy such as unemployment and the risks they pose to stability); security/external threats (which evaluates threats to sovereignty as a results of
To choose informational and financial political access or not?

terrorism or armed secessionism); and policy continuity (which measures the likely continuity of a policy, through stable elections and secure transfers of power).

**Dependent variable - Subsidiary performance**

Scholars have highlighted the challenges of measuring subsidiary performance in international business (Andersson, Forsgren, & Pedersen, 2001; Gerschewski, Rose & Lindsay, 2015; Hult et al., 2008). To deal with some of these challenges, Andersson et al. (2001) suggest using future measures of performance that observe MNE manager perceptions of sales, market value or profitability, while Hansen and Gwozdz (2013) suggest looking at multiple performance indicators like customer satisfaction and technology application. We apply a modified version of the Andersson et al. (2001) measure because it provides a way of measuring future perceptions of subsidiary performance. It is also a reliable measure with a suitable Cronbach Alpha measure of 0.91.

To address the risk of a common method bias (Podsakoff, Mackenzie, Lee & Podsakoff, 2003), this thesis follows the recommendation by Chang, Van Witteloostuijn, Eden and Eden (2010) and employs a two-stage check: Before data collection, we employ two different Likert scales (Lam, Ahearne, & Schillewaert, 2012; Obadia, Bello, & Gilliland, 2015) in the questionnaire development., and during the process of data analysis, we also employ collinearity tests (Kock, 2015) to address this concern.

Table one describes the constructs items employed for the independent and dependent variables used.

| Insert table 1 here |

**Control variables**

Following Nielsen and Raswant (2018), we employ a standard of practice criteria to address the issues of confounding variables that pertain to the selection, use, reporting and context. In the selection stage, we restrict the sample inclusion to subsidiary executives to limit the
To choose informational and financial political access or not?

Confounding influence of whether MNE decisions are influenced by the MNE headquarters. Scholars (Fenton-O’Creevy, Gooderham, & Nordhaug, 2008; Rabbiosi & Santangelo, 2019) argue that MNEs operating in relatively weaker institutional environments than their home countries tend to ascribe decision making autonomy to their subsidiaries. We, therefore, restrict the focus to executives at the subsidiary level on the premise that the South African institutional environment is relatively stronger than other countries in sub-Saharan Africa. Surveying at the subsidiary level provides an opportunity to interrogate their strategies on performance.

We also control for confounding variables by excluding certain MNEs from the sample (Nielsen & Raswant, 2018). MNEs from resource industries and finance industries are excluded. Also, the MNEs surveyed are restricted to South African MNEs that originate from South Africa and still largely operate from South Africa (Buckley, Elia & Kaafouros, 2014). State-owned enterprises are also excluded based on their substantial influence from the state which may confound the influence of political strategies on subsidiary performance (Cuervo-cazurra, Inkpen, Musacchio, & Ramaswamy, 2014).

Four control variables that pertain to the firm, industry and contextual levels: subsidiary size (Weymouth, 2012); industry effects (including the return on assets and the level of regulation); and the level of growth in the country where the subsidiary is located (Hansen & Gwozdz, 2015; Mathur & Singh, 2011). Hair, Sarstedt, Ringle and Mena (2012b) recommend that the number of direct relationships multiplied by 10 should not be greater than the sample size. We also include variables for whether a firm is from a regulated industry or not, on the argument that firms highly controlled by a government will need to engage more than their less regulated counterparts, with this increased engagement enhancing performance (Hadani and Schuler, 2013). We use the Coates-Fama-French classification of regulation levels of 48 industries in the United States as described by Al-Ubadyil and McLaughlin (2012). They categorize these industries into three levels of high, medium and low regulation.
To choose informational and financial political access or not?

Operating across countries and cultures is a key factor influencing theoretical relationships (Cuervo-Cazurra, Andersson, Brannen, Nielsen, & Reuber, 2016; Nielsen & Raswant, 2018). We include the gross domestic product (GDP) per capita as a contextual level control for the performance of firms, better suited than the use of country dummies (Nielsen & Raswant, 2018). Scholars (Delios & Henisz, 2003; Nguyen, Kim, & Papanastassiou, 2018) argue that national and regional level macroeconomic influences, such as market size, can affect the subsidiary performance of firms through its institutional and economic influence. Following Qian, Li & Rugman (2013), this research employs the return on assets measure of industry performance. This provides control for subsidiary performance that may result from the industry-specific advantages of the MNE as a whole. This is sourced from the annual financial statistics report (Annual Financial Statistics, 2016) published by Statistics South Africa. Table two provides a summary of the control variables employed in the study

Insert Table 2 here

Data analysis methods

Following previous research (Hair, Sarstedt, Ringle, & Mena, 2012; Hair, Sarstedt, Pieper, & Ringle, 2012), and based on the reality of a small sample, this paper employs the partial least square structural equation modelling (PLS-SEM). Literature asserts to the suitability of this method to small samples (Hair et al., 2012; Richter, Sinkovics, Ringle, & Schlägel, 2016). In international business research, especially in the African emerging market context, where data is difficult to gather and businesses are more reluctant to provide information (Bagire & Namada, 2015), coupled with the need to understand changing contexts through complex models, the PLS-SEM holds a lot of opportunities for scholars researching within similar contexts. This is in addition to the dynamic nature of the corporate political strategy scholarship and its tendency to be at an early stage of theory development (Richter et al., 2016). Specifically within the field of corporate political strategies in cross-border business, theory to understand how these strategies influence performance in uncertain contexts is undeveloped. We employ
To choose informational and financial political access or not?

WarpPLS 6.0 software. To adequately analyse the findings, Table three provides a summary of the variables and measures used.

[Insert Table 3 here]

*Inner model evaluation*

In table four, we describe the latent variables employed in the analysis as it pertains to the minimum and maximum data points showing the non-normality of the data by detailing the skewness and kurtosis of the data. All data is standardized in the WARP PLS software, implying a mean of zero and a standard deviation of one.

[Insert Table 4 here]

Table five which follows, provides correlations for the latent variables with square roots of the average variance extraction. This finding according to the Fornell and Lacker criterion indicates that the data is discriminantly valid (Fornell & Larcker, 1981)

[Insert Table 5 here]

*Outer model evaluation*

In table six, we report on the collinearity statistics of the research (Hair et al., 2012). Apart from suitable discriminant validity, the data meets the criteria for reliability, with composite reliability and Cronbach alpha greater than 0.7 for all latent variable constructs. The full collinearity variance inflation factor (VIF), which measures the level of common variance bias in the data is also suitable, at values of less than 3.3 for all reflective variables (Kock, 2015; Kock & Lynn, 2012; Lindell & Whitney, 2001). In addition to checking for the common method bias, this rule of thumb is applicable to check for multicollinearity within the data, even for single indicator variables (Kock, 2017). The overall model has an average full collinearity VIF of less than 3.3.

To better ascertain the robustness of the findings, we employ the use of different control variables in the model (Cuervo-Cazurra et al., 2016). The age of the subsidiary as a substitute
To choose informational and financial political access or not?

for the size of the subsidiary yields similar findings to that obtained in the primary model. we also employ a stable method of resampling which employs the style of resampling found in bootstrapping (Kock, 2017).

**Findings**

The hypothesis test results are provided in table seven, together with effect sizes for best practice reporting (Meyer, et al., 2017). In model I, we only detail the control variables employed, model II includes information on the model with the control variables and the focal constructs and model III includes the moderator effects.

[Insert Table 7 here]

From model I, we find that whether an industry is highly regulated or not positively influences the performance of the subsidiary. That is the more regulated the industry is the higher the subsidiary's performance ($\beta=0.33; p<0.01$), these are similar to what is obtainable in model III. The level of development within the environment as a measure of the GDP capita negatively influences subsidiary performance in all three models. Though counter-intuitive might speak to the high levels of inequality that sub-Saharan environments are characterised by.

In model III, we find that the regulated industry and the GDP per capita remain significant, for the control variables. Access political strategies have a negative relationship to a subsidiary's performance ($\beta=-0.34; p<0.01$), which is an indication of the strong support for the negative effects of informational and financial political strategies on the performance of the subsidiary. Model III also indicates the negative moderating effect of host-country uncertainty on the relationship between access political strategies and subsidiary performance, which is not significant. These variables in the model explained about 24 per cent of the variance in the model, with a predictive power of 32 per cent. Given that PLS-SEM measures the predictive power of the model, we find strong support for the data's ability to predict the influence of access political strategies on subsidiary performance in uncertain environments (Richter et al., 2016).
To choose informational and financial political access or not?

**Discussion**

This study focuses on the influence of access political strategies on the subsidiary performance of South African multinationals operating in the rest of Africa.

From the analysis, we find that access political strategies are negatively associated with subsidiary performance contrary to our hypothesis. However the negative moderation of political risk to the relationship though insignificant could explain why the direction of influence may be contrary to the scholarship on political strategies. Previous research has found the use of political strategies to be positively related to firm performance (Lux et al., 2011; Mellahi et al., 2016). In particular, Rajwani and Liedong (2015) assert that overall, political strategies relate positively to performance, with only 21 per cent of the studies in their meta-analysis reporting otherwise. Access political strategies (categorized into informational and financial strategies) have also been observed to be positively related to the legitimacy and performance of MNE subsidiaries (Nell, Puck & Heidenreich 2015). In contrast to the argument by Hillman and Hitt (1999) that in uncertain environments, firms approach political strategies transactionally- in response to certain issues- transactional access political strategies are more used and effective, the evidence produced by this research calls this assertion into question – particularly, the evidence suggests that given the realities of uncertain environments, South African MNEs engage in the use of transactional access strategies but this negatively influences their outcomes.

The transactional approach to access political strategies have been often studied in developed contexts where there are effective regulatory and standards agencies (Voinea & Van Kranenbur, 2018), and this could explain its positive influence on performance, and the infrequency with which a negative direction of influence has been observed. Where the formal institutions supporting such agencies are underdeveloped (Marquis & Raynard, 2015) – as in the context for this research – a contrasting finding emerges. Siegel (2007) asserts that changing and uncertain environments can disadvantage firms that focus on accessing political
To choose informational and financial political access or not?

players with no consideration of potential political shocks like a change in ruling political parties. Such shocks are relatively well-controlled in developed economies, but their consequences are unpredictable in the uncertain environments of emerging economies such as those in sub-Saharan Africa. Anecdotal observations highlight that access political strategies may provide an entry point for the MNE subsidiary, but to sustain performance the business needs to develop relationships through constituency-building with key host country stakeholders.

Evidence from this research also supports the observations of De Villa et al (2018) that MNEs operating in uncertain environments prefer a non-engaged approach to political strategies. Firms choose, for example, low visibility and rapid compliance with the relatively few rules that exist (De Villa et al, 2018). Engaged access political strategies such as contributing to political action committees draw attention to the MNE, and such high visibility, in an uncertain context, may have negative outcomes if the political situation changes. An example may be observed in the relationship between South Africa's large telecommunication MNE, MTN, and the Nigerian government. Arguably, MTN had leveraged on their market and non-market political capabilities when their subsidiary first began operating in Nigeria in 2001 – Internationalising from an emerging market to the other and employing their home country advantages in a relatively similar emerging market (Cuervo-Cazurra & Genc, 2008). The firm performed well, contributing earnings of up to $500m to the group and a holding of 25 per cent of total subscribers. But in 2015, the host country’s political dispensation changed (Wocke & Beamish, 2017). Since then, the MNE has been overwhelmed by cases of "regulatory assault" (in the words of the Group Chief Executive Officer (Talevi, 2018, p 1)) – including a fine of up to 20 per cent of MTN’s total market capitalisation (Wocke & Beamish, 2017). Even if the company was technically in breach of Nigerian national regulations, there were arguably other political factors that may have played a role in the imposition and timing of the fine. Furthermore, uncertainty for an MNE in an uncertain environment may be heightened when the relationship between an MNE’s home and the host country is strained (De Villa et al., 2018). The period of regulatory
To choose informational and financial political access or not?

“assaults” coincided with the increasing incidence of what Matlala (2018) has described as targeted xenophobia between South Africa and Nigeria: the two largest economies in sub-Saharan Africa.

Some scholars have asserted that although weak institutional environments result in mixed outcomes from political strategies (Boubakri et al., 2012; Rajwani & Liedong, 2015), their increased use reduces risks and builds greater competitive advantage, as MNEs can push for more corporate political strategy regulation (Puck et al., 2018). In the process MNEs may be able to initiate a process of co-evolution as they influence their external institutional environment (Nell et al., 2015) However, emerging markets are heterogeneous (Gammeltoft et al, 2010), and different strategic choices about the type, strength and timing of political strategy may result in different outcomes, rendering this assertion arguable.

When a firm places increased emphasis on political engagement in a weak institutional context, this may lead to unethical practices such as bribery and corruption (Lawton et al., 2013; Rajwani & Liedong, 2015). For Neron (2016) this is a primary concern about the use of access political strategies. Bribery, in the political activity taxonomy of Hillman et al. (2004), falls within the category of financial access strategies. It has been linked to political behaviours in contexts with weak and uncertain environments (Lawton et al., 2013) and scholars of business ethics such as Neron (2016) remain concerned about the proliferation of unethical practices disguised as financial political strategies. The findings from this research indirectly provide support for addressing these concerns. The evidence suggests a negative relationship between the use of access political strategies (including any which may be classed as unethical) and performance, negating any value of their use and emphasising the need for MNEs to consider political engagement strategies with greater utility.

Future research directions

In common with a lot of non-market management research, the focus of this study has been on a cross-section (Aguinis & Glavas, 2012) of MNEs with operations in various
To choose informational and financial political access or not? developing economies. However, research interrogating the phenomena across time has the potential to illuminate more extensively the field of corporate political strategy (and, broadly non-market strategies). This will facilitate understanding of how changing uncertainty influences the political strategy-performance relationship. It may also support understanding of how changes to the institutional environment occur as a result of the changes in the firm's political behaviour over time (Cantwell, Dunning, & Lundan, 2010). Employing a time series method could illuminate how subsidiary political strategies (i.e. proactive, reactive, defensive and anticipatory) change as their institutional environments change, and such an interrogation will provide an avenue to interrogate the evolution of dynamic political strategies as contexts, including industries or economies, change (Brown, 2016).

The research strategy, design and methods of this research suggest that future research should consider a more random sampling strategy to improve the generalisability of findings from uncertain environments. Also, this research employed a partial least squares structural equation modelling approach to drawing predictive relevance between access political strategies and subsidiary performance, future research should take into consideration quasi-experimental methods to specifically study events and occurrences within weak institutional environments (de Figueiredo & Richter, 2014).

Further research could also expand the sampling frame to include other MNEs operating from weak institutional environments in sub-Saharan Africa and more broadly across emerging markets. For example, given the Chinese governments intolerance for illegal financial activities, as was seen in the recent GlaxoSmith Kline scandal (Doh, Lawton, Rajwani, & Paroutis, 2014), and the increasing investments of Chinese MNEs in Africa, further research should interrogate the access political strategies employed by the excess of over 10,000 private Chinese firms currently operating on the continent (Sun, Jayaram, & Kassiri, 2017).

The implications of the findings discussed above suggest that the moderating influence of host country risk on the relationship between access political strategies and subsidiary
To choose informational and financial political access or not?

performance is negative. This finding is, however, not significant, and does not explicitly compare the performance of political strategies across weak versus strong institutional contexts. Further research could with benefit compare the performance of political strategies in institutionally diverse contexts. Furthermore, this research has focused on external moderating mechanisms; further research could interrogate the intra-organisational moderating mechanisms that may influence the political strategy-performance relationship. Mellahi et al., (2016) suggest those internal moderating mechanisms that deal with the agency conflicts that arise from within the MNE. Especially as subsidiaries are also exposed to internal institutional pressures from their headquarters apart from the external host country pressures (Nell et al., 2015), further research could interrogate its moderating mechanism to elucidate a deeper understanding of political strategy scholarship in cross border businesses.

Although earlier studies have interrogated the influence of lobbying and political action committee contributions, these studies have focused on contexts with strong institutional environments, where regulations can be monitored and impact measured. Future research exploring the influence of specific political strategies on performance will need to study uncertain contexts, with consideration for the influence of changing policies on business. One example is the recently passed political party funding bill in South Africa. The need for such legislation might imply that past political contributions from businesses might have been construed as illegal, and, as such, were less likely to be declared. With legalisation, future researchers have the opportunity to interrogate how such changes may influence both the behaviour of MNEs and their outcomes. Furthermore, since strategy involves both a party that implements and a party that is acted upon, future studies should also explore the perspectives of regulators, policymakers, communities, trade associations and non-governmental organisations engaging with MNEs.

Conclusion

Our research builds on the work of Oliver and Holzinger (2008), which interrogates
To choose informational and financial political access or not?

Influence political capabilities as proactive and defensive dynamic capabilities contributing to the competitive advantage of MNEs. Following the research by Lawton et al. (2013) which extends the research on how firms organise their political capabilities in uncertain contexts to deal with their non-market environment, we contribute to the research on dynamic political strategies by empirically interrogating the corporate political strategy typology proposed by Hillman and Hitt (1999). Their typology of political strategies set the stage for management research into the antecedents, approaches, level and choice of political strategies that firms engage in when operating in the non-market environment. In particular, this paper focuses on the influence strategies of information and finance and empirically interrogates how these political strategies affect subsidiary performance. We contribute to Baron's (1995) integrated framework by providing an empirical interrogation of influence political capabilities on performance in institutionally unstable environments. This further tightens the bridge between corporate political strategy and the dynamic capability perspective (Lawton et al., 2013).

Evidence from the research suggests that within the typology of political strategies proposed by Hillman and Hitt (1999), their mechanisms operate differently from context to context. In particular, we find that the use of influence political strategies in South-South internationalisation affect performance outcomes differently from North-South internationalization. For example, Nell et al. (2015) found a positive relationship of information and finance political strategies on the subsidiary performance of foreign firms (78% developed economy MNEs) operating in five emerging economies. Our findings improve the convoluted scholarship of corporate political strategies as it further clarifies the need for political strategy research to define borders for which influence political strategies may positively correlate with performance outcomes. This finding also strongly emphasizes the influence of institutional duality on the strategic choices and outcomes of MNEs (Nell et al., 2015; Zhang, Zhao & Ge, 2016). In which case, where strong and formal institutions are lacking, access political strategies may be harmful to the firm (Lawton et al., 2013).
To choose informational and financial political access or not?

Dynamic capabilities, though they improve competitive advantage (Teece et al, 1997), still have other external influences like resource base configurations and managerial decision making that may change how the competitive advantages influence performance (Eisenhardt & Martin, 2000). Our evidence suggests that political dynamic capabilities can relate negatively to performance when other temporal and boundary conditions are factored in, a concern raised by Baretto (2010) concerning the dynamic capabilities mechanisms in turbulent environments. The implication of this finding extends the political dynamic capabilities theoretical framework as it addresses one of the concerns of Arend and Bromiley (2009) about the mechanisms of dynamic capabilities, specifically its non-negativity in extant research. This ultimately, provides an avenue for further research to interrogate as more refinement of the political dynamic capability perspective is needed to adequately contribute to strategy and management research (Wilden, Devinney & Dowling 2016).

The research also extends our understanding of the field by interrogating the mechanism through which institutional environments influence the outcomes of corporate political strategies (Doh et al., 2012). By providing a perspective on the African context (Teagarden et al., 2018), the research expands knowledge of corporate political strategies by extending understanding to contexts other than the developed economies on which most prior empirical research has focussed. Contextually, this study builds on the conceptualisation of influence political strategies that firms engage in to increase their competitive advantage and extends the theory by testing the theory on political strategies in African emerging economies. Furthermore, it engages with the MNEs subsidiary level of analysis which Blumentritt and Nigh (2003) argue is an important view of understanding MNE behaviours.

In conclusion, this paper set out to understand and explain the role of access political strategies on subsidiary performance in uncertain host countries. It is significant as it has extended the scholarship on political dynamic capabilities by testing actionable access political
To choose informational and financial political access or not?

strategies for influencing subsidiary performance. It is novel, as it has interrogated the mechanism of access political strategies and performance outcomes in a politically risky context, more so a geographically overlooked region; and relevant, as it has provided MNE managers tacit knowledge on how to politically operate in uncertain environments.

Acknowledgements: We wish to thank Professors Elizabeth Rose, Helena Barnard and Greg for their friendly reviews towards the development of the paper
To choose informational and financial political access or not?

References


To choose informational and financial political access or not?


Cuervo-Cazurra, A., & Genc, M (2008). Transforming disadvantages into advantages: developing-country MNEs in the least devel


To choose informational and financial political access or not?

135308


To choose informational and financial political access or not?


To choose informational and financial political access or not?


To choose informational and financial political access or not?


To choose informational and financial political access or not?


Puck, J., Lawton, T., & Mohr, A. (2018). The corporate political activity of MNCs : Taking stock and
To choose informational and financial political access or not?

http://doi.org/10.1007/s11575-018-0364-0


http://doi.org/10.1057/s41267-018-0169-1


http://doi.org/10.1108/IMR-04-2014-0148

http://doi.org/10.2307/3069303


http://doi.org/10.1093/oxfordhb/9780195307955.003.0018


To choose informational and financial political access or not?


To choose informational and financial political access or not?

http://doi.org/10.1111/j.1467-6486.2006.00616.x


http://doi.org/10.5465/amp.2012.0033
To choose informational and financial political access or not?

Table 1: List of construct items employed

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Strategies</td>
<td>AC1 - We provide direct financial incentives, e.g. campaign contributions</td>
<td>Hillman, 2003</td>
</tr>
<tr>
<td></td>
<td>AC2 - We provide informal monetary encouragement to policymakers</td>
<td>Hillman and Hitt, 1999</td>
</tr>
<tr>
<td></td>
<td>AC3 - Contacting initiating and providing information to public policymakers by members of the company</td>
<td>Hillman, 2003</td>
</tr>
<tr>
<td></td>
<td>AC4 - Commissioning research think tank research projects</td>
<td>Hillman, 2003</td>
</tr>
<tr>
<td></td>
<td>AC5 - Hiring individuals with political experience to work for the company</td>
<td>Hillman, 2003</td>
</tr>
<tr>
<td></td>
<td>AC6 - Company members serving in a political position</td>
<td>Hillman, 2003</td>
</tr>
<tr>
<td>Subsidiary Performance</td>
<td>PCFP1 - How do you judge this subsidiary’s increase in profitability?</td>
<td>Andersen, Forsgren &amp; Pedersen, 2001</td>
</tr>
<tr>
<td></td>
<td>PCFP2 - How do you judge this subsidiary’s future market share expansion?</td>
<td>Andersen, Forsgren &amp; Pedersen, 2001</td>
</tr>
<tr>
<td></td>
<td>PCFP3 - How do you judge this subsidiary’s future increase in sales volume?</td>
<td>Andersen, Forsgren &amp; Pedersen, 2001</td>
</tr>
</tbody>
</table>
Table 2: Summary of control variables employed

<table>
<thead>
<tr>
<th>Variable Name</th>
<th>Control level</th>
<th>Data Source</th>
<th>Justification reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of Subsidiary</td>
<td>Firm Control</td>
<td>Survey</td>
<td>Barkema &amp; Vermeulen, 1998; Hitt et al, 1997;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2017/2018</td>
<td></td>
</tr>
<tr>
<td>Size of the Subsidiary</td>
<td>Firm Control</td>
<td>Survey</td>
<td>Hillman et al, 1999; Hillman &amp; Wan, 2005</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2017/2018</td>
<td></td>
</tr>
<tr>
<td>Regulated industry</td>
<td>Industry Coates-Fama Control</td>
<td>Fama</td>
<td>Mclaughlin, 2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td>French Classification</td>
<td></td>
</tr>
<tr>
<td>Industry return on assets</td>
<td>Industry Statistics South control</td>
<td>Africa</td>
<td>Qian, Li &amp; Rugman, 2013;</td>
</tr>
</tbody>
</table>
To choose informational and financial political access or not?

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measure</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access strategies</td>
<td>AccessS</td>
<td>The use of informational and financial strategies- See table with indicators</td>
<td>Likert scale 1-5</td>
</tr>
<tr>
<td>Subsidiary Performance</td>
<td>SubsPerf</td>
<td>Managers perceived confidence in future performance</td>
<td>Likert Scale 1-7</td>
</tr>
<tr>
<td>Industry return on Assets</td>
<td>ROAIND</td>
<td>Two year average on the industry's return on assets</td>
<td>0-1</td>
</tr>
<tr>
<td>Regulated Industry</td>
<td>REGIND</td>
<td>Dummy variable that equals to 0 if industry regulation is low and 1 if industry regulation is high</td>
<td>0 or 1</td>
</tr>
<tr>
<td>Subsidiary Size</td>
<td>SUBSIZE</td>
<td>Number of employees employed</td>
<td>Categorical 1-5</td>
</tr>
<tr>
<td>Political Risk</td>
<td>POLRISK</td>
<td>The measure of short term political risk in the host location</td>
<td>0-1</td>
</tr>
<tr>
<td>GDP Per Capita</td>
<td>GDPCAP</td>
<td>Ten-year average of gross domestic product per capita in US$ at current prices</td>
<td>Continuous</td>
</tr>
</tbody>
</table>
To choose informational and financial political access or not?

**Table 4: Descriptive statistics of Latent variables**

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Median</th>
<th>Mode</th>
<th>Skewnes</th>
<th>Kurtosis</th>
<th>Jacques Bera</th>
</tr>
</thead>
<tbody>
<tr>
<td>SubsPerf</td>
<td>-3.61</td>
<td>1.89</td>
<td>0.42</td>
<td>0.42</td>
<td>-1.31</td>
<td>2.41</td>
<td>No</td>
</tr>
<tr>
<td>AccessS</td>
<td>-0.76</td>
<td>5.00</td>
<td>-0.25</td>
<td>-0.76</td>
<td>2.93</td>
<td>10.25</td>
<td>No</td>
</tr>
<tr>
<td>ROAIND</td>
<td>-0.76</td>
<td>1.51</td>
<td>-0.76</td>
<td>-0.76</td>
<td>0.72</td>
<td>-1.31</td>
<td>No</td>
</tr>
<tr>
<td>REGIND</td>
<td>-0.72</td>
<td>1.39</td>
<td>-0.72</td>
<td>-0.72</td>
<td>-1.54</td>
<td>-1.54</td>
<td>No</td>
</tr>
<tr>
<td>GDPCAP</td>
<td>-1.26</td>
<td>2.51</td>
<td>0.11</td>
<td>0.11</td>
<td>1.30</td>
<td>1.47</td>
<td>No</td>
</tr>
<tr>
<td>SUBSIZE</td>
<td>-0.90</td>
<td>1.85</td>
<td>-0.35</td>
<td>-0.90</td>
<td>0.91</td>
<td>-0.57</td>
<td>No</td>
</tr>
<tr>
<td>POLRISK</td>
<td>-2.06</td>
<td>3.00</td>
<td>0.24</td>
<td>0.24</td>
<td>0.51</td>
<td>2.31</td>
<td>No</td>
</tr>
<tr>
<td>POLRISK*Access</td>
<td>-6.83</td>
<td>1.42</td>
<td>0.13</td>
<td>-0.02</td>
<td>-5.00</td>
<td>30.52</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: WARPPLS output Note-All variables are standardised, thus mean of zero and standard deviation of one
Table 5: Correlations among Latent Variables with AVE Square roots

<table>
<thead>
<tr>
<th>Latent Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary Performance (1)</td>
<td>0.92</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Return on Assets (2)</td>
<td>0.07</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per Capita (3)</td>
<td>-0.16</td>
<td>0.08</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiary Size (4)</td>
<td>0.09</td>
<td>0.04</td>
<td>0.28**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulated Industry (5)</td>
<td>0.10</td>
<td>-0.51***</td>
<td>-0.18</td>
<td>0.04</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access (6)</td>
<td>-0.29**</td>
<td>-0.26**</td>
<td>-0.18</td>
<td>-0.12</td>
<td>0.35***</td>
<td>0.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political Risk (7)</td>
<td>-0.28***</td>
<td>0.03</td>
<td>0.62***</td>
<td>0.06</td>
<td>-0.24**</td>
<td>-0.17</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Political Risk*Access (8)</td>
<td>-0.12</td>
<td>0.12</td>
<td>-0.18</td>
<td>0.13</td>
<td>-0.11</td>
<td>-0.52***</td>
<td>-0.19</td>
<td>0.74</td>
</tr>
<tr>
<td></td>
<td>0.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Significant P values: *=<0.10; **=<0.05; ***=<0.01
Table 6: Collinearity Statistics

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
<th>Cronbach's Alpha</th>
<th>Full Collinearity VIF</th>
<th>*Block VIF</th>
<th>Average Variance Extraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>SubsPerf</td>
<td>0.95</td>
<td>0.91</td>
<td>1.35</td>
<td></td>
<td>0.85</td>
</tr>
<tr>
<td>Access</td>
<td>0.81</td>
<td>0.73</td>
<td>2.08</td>
<td>1.11</td>
<td>0.42</td>
</tr>
<tr>
<td>ROAIND</td>
<td>1</td>
<td>1</td>
<td>1.40</td>
<td>1.09</td>
<td>1</td>
</tr>
<tr>
<td>REGIND</td>
<td>1</td>
<td>1</td>
<td>1.60</td>
<td>1.07</td>
<td>1</td>
</tr>
<tr>
<td>GDPCAP</td>
<td>1</td>
<td>1</td>
<td>1.90</td>
<td>1.21</td>
<td>1</td>
</tr>
<tr>
<td>SUBSIZE</td>
<td>1</td>
<td>1</td>
<td>1.17</td>
<td>1.25</td>
<td>1</td>
</tr>
<tr>
<td>POLRISK</td>
<td>1</td>
<td>1</td>
<td>1.94</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>POLRISK*ACCESS</td>
<td>0.87</td>
<td>0.82</td>
<td>8.39</td>
<td>1.09</td>
<td>0.55</td>
</tr>
</tbody>
</table>
Table 7: PLS results of Access strategies and Subsidiary performance

<table>
<thead>
<tr>
<th>Hypothesized Path</th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \beta )</td>
<td>S.E</td>
<td>Effect Size</td>
</tr>
<tr>
<td>Industry return on</td>
<td>0.17</td>
<td>0.11</td>
<td>0.02</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulated industry</td>
<td>0.28</td>
<td>0.11</td>
<td>0.08</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>-0.26**</td>
<td>0.11</td>
<td>0.05</td>
</tr>
<tr>
<td>Subsidiary size</td>
<td>0.14***</td>
<td>0.11</td>
<td>0.02</td>
</tr>
<tr>
<td>Access Strategies</td>
<td>-0.35***</td>
<td>0.11</td>
<td>0.11</td>
</tr>
<tr>
<td>Political Risk*Access</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q-Squared</td>
<td>0.19</td>
<td></td>
<td>0.30</td>
</tr>
<tr>
<td>Adjusted R-Squared</td>
<td>0.12</td>
<td></td>
<td>0.22</td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.17</td>
<td>0.27</td>
<td>0.24</td>
</tr>
</tbody>
</table>

Significant P values: * = <0.10; ** = <0.05; *** = <0.01
Figure 1: Conceptual framework

- Access political strategies
- Political risk
- Subsidiary Performance

H1: Access political strategies → Subsidiary Performance
H2: Political risk → Access political strategies