

The role of non-market strategies in establishing legitimacy: The Case of Service MNEs in emerging economies

Dr. Peter Rodgers

Associate Professor in Strategy, University of Leicester School of Business,
Leicester, LE1 7RH
pwr3@leicester.ac.uk

Professor Peter Stokes

Leicester Castle Business School, Hugh Aston Building
De Montfort University, Leicester, LE19BH
Email: peterstokesmail@gmail.com

Professor Shlomo Tarba

Birmingham Business School
University of Birmingham, B15 2TT

Email: s.tarba@bham.ac.uk

Professor Zaheer Khan

Kent Business School, University of Kent
Parkwood Road, Canterbury CT2 7PE
Email: z.a.khan@kent.ac.uk

Abstract

In this article, we examine the mechanisms of corporate political activity of service multinational enterprises (SMNEs) operating in an emerging economy. Reporting the findings of qualitative interviews with key decision-makers in Ukraine, the article illuminates how SMNEs operating in turbulent institutional contexts can enact various corporate political strategies, which include social responsibility activities to mitigate the market costs and develop legitimacy. The findings elucidate how government agencies and institutions may also invoke corporate social responsibility (CSR) as a strategy. The article makes key contributions, firstly, it underscores the complementary dynamics between CPA and CSR strategies in host markets characterised by weak and incomplete institutions. Secondly, the article contributes to the relatively under-explored nature of service sector MNEs operating in such institutional contexts.

Keywords: Non-market strategies, corporate political activity (CPA); corporate social responsibility (CSR), service MNEs; emerging economy; legitimacy

Note: *This is a pre-print post-peer review accepted version, please cite:*

Rodgers, R., Stokes, P., Tarba, S., & Khan, Z. (2018). The role of non-market strategies in establishing legitimacy: The Case of Service MNEs in emerging economies, *Management International Review*, in press.

Introduction

Academic debates on how multinational enterprises (MNEs) internationalise their operations (Cuervo-Cazurra, 2016; Fortwengel, 2017; Regnér & Edman, 2014), through foreign direct investment (FDI) and non-market strategies have focused predominantly on manufacturing firms and firms involved in natural resource extraction. This is surprising given the fact that between 1990-1992 and 2010-2012, global inward FDI within the service sector grew by almost 908% compared to 491% in the manufacturing sector (UNCTAD, 2014). MNEs in general are considered as playing an important role given their global influence and activities in which they are confronted with a range of issues, stakeholders and institutional contexts, in both home and host countries (Kolk, & Van Tulder, 2010). Furthermore, recently scholars have increasingly recognised the potential for MNEs to be not only part of the problem, but also perhaps part of the solution with corporate social responsibility (CSR) activities being seen as having long-term implications for the international business (IB) realm (Fetscherin, Alon, Lattemann, & Yeh, 2010; Jamali, Karam, Yin & Soundararajan, 2017; Park, Chidlow & Choi, 2014; Pisani, Kourula, Kolk & Meijer, 2017; Preuss, Barkemeyer & Glavas, 2016;).

While a nascent stream of studies has emerged on MNEs based in the service sector (Gleich et al., 2017; Kundu & Lahiri, 2015; Kundu & Merchant, 2008; Stevens et al., 2015), nevertheless, extant IB literature has failed to keep pace with the growth of service industries (Jaklič, Ćirjaković & Chidlow, 2012) and their associated processes of internationalisation over recent years. A decade ago, Kundu & Merchant (2008, p.376), noted, “the challenge lies ahead in the development of theories of service multinational enterprise to explain the intricacies of service firms”. This challenge remains. There has been a paucity of research examining the ways in service MNEs are using non-market strategies

(Contractor & Kundu, 1998; Ghauri, Tasavori & Zaefarian, 2014) in order to navigate constraints on their business activities within turbulent, often uncertain institutional contexts (De Villa et al., 2018). This encompasses how they sustain the business micro-aspects of corporate political activity (CPA) connected with corporate social responsibility (CSR) actions in the host country (Saka-Helmhout and Geppert, 2011; Stevens et al., 2016). Whilst the literature on non-market strategy has often been separated into the domains of CSR (Aguinies & Glavas, 2012) and corporate political strategy – sic corporate political activity (CPA) (Lawton et al., 2013a), this article seeks to respond to calls to better understand the interconnectivity between these two lines of intellectual enquiry (Frynas and Stephens, 2014; Frynas et al., 2017; Rodriguez et al., 2006; Sun et al., 2012). This article seeks to address the gap in the extant literature on Service MNEs by examining the dynamics of in-situ operations in relation to CPA and CSR. This study focuses on Ukraine as an emerging economy context.

The article responds to calls for examination of the effectiveness of political strategies in different contexts (e.g. Cuervo-Cazurra, 2016; Lawton et al., 2013a; Lawton et al., 2013b; Mellahi et al., 2016; Meznar & Nigh, 1995) and, in particular, in the context of emerging economies (Doh et al., 2012; Hadjikhani, Elg & Ghauri, 2012). Whilst research on CPA has focused predominantly on firms in the USA (Mattingly, 2007) or Western European countries (Hadjikhani & Ghauri, 2001; Hillman & Wan, 2005; Jimenez, 2010), there is a clear need for more research on how firms entering emerging economies, utilise forms of CPA (Puck et al, 2013). Since firms face greater liability of foreignness in such markets due to the state of the institutional environment which is in a state of flux (e.g., Hadjikhani et al., 2012; Luo et al., 2002; Zaheer, 1995). As Kostova et al. (2008) highlight, differences in institutional environments confronting foreign firms are likely to impact on the success of political

strategies for foreign firms within developed and emerging economies. Despite some studies on the importance of political stakeholders in emerging markets such as in China (Li et al., 2008), India (Elg, Ghauri & Schaumann, 2015) and in Russia (Okhmatovskiy, 2010), there remains a dearth of empirical studies on lesser commented, emerging economies- the case in point is Ukraine. Whilst in developed market economies, CPA focuses primarily on influencing, shaping, preventing, or gaining an early understanding of *regulatory* developments affecting a firm's market strategies (Doh et al., 2012; Lawton et al., 2013a; Jiang et al, 2015), in emerging market settings, firms often use CPA to offset *institutional voids* (cf. Khanna & Palepu, 2010). Our article's empirical focus on Ukraine, an emerging economy where the institutional framework remains fluid or void (Puffer et al., 2010), allows us to explore not just the strategic effects and outcomes of non-market strategies (Boddewyn, 2016), but importantly the mechanisms and processes within corporate political activities within these emerging economies. It also permits exploration of the linkages between notions of CSR and CPA within such an institutional environment (Demirbag et al., 2017).

Furthermore, whilst recent years have witnessed growth in research on the corporate political strategies of foreign invested firms (Hillman & Wan, 2005; Mondejar & Zhao, 2013; Zhang et al. 2016), much of this attention has focused on negotiations between the MNE and the host government at the point when the MNE *enters* a country with a disproportionate lack of attention to the *post-entry* political strategies and tactics in which firms engage (Hillman & Wan, 2005; Rodriguez et al., 2006; Tasavori, Zaefarian & Ghauri, 2015). Thus, this article provides novel insights regarding the latter and responds directly to the objective of this *Call for Articles* to examine how in-situ Service MNEs use CPA, connected with embedded CSR, to drive forward their business operations in different market contexts.

This article extends understanding of mechanisms in organizational research (Anderson et al., 2006) by arguing that the corporate political activities of in-situ Service MNEs are the product of entwined *micro-level* business-state relations. Our article argues for the need, theoretically, to move beyond focusing too heavily on macro-orientated market competition perspectives (Whittington, 2012) and instead, provide theoretical frameworks that embrace and engage with how state capacity in a variety of different contexts impacts onto firms' strategic (micro-) choices. Rather than government influences being in decline (Khanna & Yafeh, 2007; Puffer & McCarthy, 2011), our findings demonstrate how, in the case of Ukraine, in divergent ways, state capacity continues to influence specific non-market behaviours and necessarily impacts upon the lived experiences of MNEs in such contexts. Against the backdrop of the above gaps, the article addresses the following research question:

How do mechanisms of in-situ/post-entry Service MNEs CPA and CSR activities interact at the micro-level, and with what implications, contextualised in the non-Western European emerging economic context of the Ukraine?

The article is structured as follows. Firstly, we discuss the theoretical and contextual background to the study bringing together Service MNC CPA, non-market and CSR literature within the business and management discipline. We then briefly outline state-business relations in Ukraine. Next, the article outlines the methodology developed and employed by the article, which is followed by the presentation of our data and findings. We conclude the article with a discussion of the resultant insights, implications and limitations of the findings.

Conceptual background

Non-market and CSR strategies

The study of strategy has focused primarily at the supra level of the competitive aspects of firm activity and behaviour (Bartlett & Ghoshal, 2013). In consequence, the strategic literature has dedicated less attention to micro-practices (Jarzabkowski, 2005) or the institutional environment that shapes competitive strategy (Marquis & Raynard, 2015). Thus, the development of an understanding of *firm interaction* in relation to institutional context(s) has formed the primary unit of analysis and shaped the burgeoning literature on ‘non-market’ strategies (Lux et al., 2011). Navigation of institutional and differing cultural contexts and non-market aspects constitute increasingly critical aspects of firm behaviour. Lawton et al (2013a: 88) signal that work on CPA adopting a functionalist perspective tends to cast the firm’s environment as ‘apolitical’ and ‘primarily concerned with regulatory compliance’, thus neglecting multi-faceted, fine-grained, culturally contextual or more granular studies of the domain (Demirbag et al., 2017). At the broad level, the aim of non-market strategies and associated firm behaviour is generally to improve firm performance by: “managing the firms institutional context” (Lux et al., 2011: 225). Thus, non-market strategies influence firm behaviour such as, for example, market entry choices (Mellahi et al., 2016; Tasavori, Zaefarian & Ghauri, 2015; Elsahn & Benson-Rea, 2018). Research on non-market activities tends to assume that firms are able to make choices about how, when, and for what motive, to engage in non-market strategic activities (Holburn & Vanden Bergh, 2008). This might however not be applicable to all context as activities such as, for example, CSR have been signalled as highly contextual (Crotty, 2014; Demirbag et al., 2017). Thus it is important to develop studies, which develop such contextualisation.

Furthermore, functional perspectives of non-market strategy argue that CPA activities targeted at formal institutions generally work to ensure that unfavourable

policy changes are mitigated (Henisz & Zelner, 2012) and, with informal institutions, impose restrictions of acceptable non-market practices (Biggart & Guillén, 1999; Khan et al., 2015). Hence, in functionalist approaches, firms need to target non-market strategy activities at key individuals who can affect policy making (Holburn & Vanden Bergh, 2008) which forms the basis for CPA (Hillman et al., 2004). Thus, research on non-market strategy extends to cover aspects of lobbying or corruptive firm behaviour (Mauro, 1995). Although this perspective on non-market strategy provides some indication of the rationale for firms to engage in such activities, it neglects firm-level attributes such as the amalgam of CPA and CSR non-market resources and capabilities (e.g., Frynas et al., 2017). For example, a firm's ties with specific individuals (Biggart & Guillén, 1999; Dieleman & Boddewyn, 2011) may provide an organization with access to resources unavailable to others. Therefore, a firm can use such partial ties to engage, not only in non-market strategy, but also to mitigate political risks with such ties forming a buffer against arbitrary institutional behaviour (Dieleman & Boddewyn, 2011). However, the value of each of these ties may differ across organizations (Okhmatovskiy, 2010). Hence, some might enable pro-active non-market strategies while others serve as reactive risk management of resources.

In addition to the functional perspective of non-market strategy, a more dynamic institutional theory inspired by a deeper understanding of non-market strategy is emerging. In this understanding firms use non-market strategy to seek legitimacy (Reast et al., 2013) and overcome liability of foreignness (e.g., Zaheer, 1995), by, for example, aiming to influence agenda setting with relevant regulators or by finding access points that enable the forecasting of any changes to the non-market environment. In a review of non-market literature Mellahi et al. (2016) find that stakeholder theory, agency theory, institutional theory, resource-based views and resource dependency theory are

often employed as theoretical lenses to examine non-market strategies. Each of these theoretical foci concentrates on different analytical levels providing insights into how firms use non-market strategies in host markets. These underline that non-market strategic activities are used to attain legitimacy, access resources, garner support from stakeholders and develop resources and capabilities to navigate the competitive market environment (McWilliams & Siegel, 2001).

Further important drivers of non-market literature are CSR (Aguinis and Glavas, 2012; Demirbag et al., 2017) and corporate political strategy/CPA (Lawton et al., 2013a). In particular, CPA is a core aspect of non-market strategy because success in political markets is facilitating success in competitive markets (Rajwani & Liedong, 2015). Even more pertinent for the present argument, CPA is common to organizational activities in emerging and transition countries (Rajwani & Liedong, 2015). Therein, CPA is often associated with issues of corruption, lobbying, and other activities to influence the ‘formal’ institutional environment (Lawton et al., 2013a). Within developed market economies CPA focuses primarily on influencing, shaping, preventing, or gaining an early understanding of regulatory developments affecting a firm’s market (and particularly entry) strategies (Doh et al., 2012; Lawton et al., 2013a). By contrast, where the institutional context is unstable or missing, firms use CPA to offset institutional voids. This can often lead to exchange relationships between firms and the state, which can provide firms with legitimacy, or in some cases, result in firms engaging in illicit and corrupt behaviour (Doh et al., 2012; Lawton et al., 2013a). Therein, Petrou (2015) notes that foreign firms may find themselves at a particular disadvantage as they are not an indigenous part of established networks and therefore lack integration at individual and social group levels.

However, hitherto, the non-market literature has focused on institutional context as a *moderator* of non-market strategy with firms able to shape and manage their context by engaging in such firm behaviour. There is less awareness of how the institutional context *predicates* specific non-market behaviours and strategies of firms and the myriad individuals within and surrounding them. Therefore, Lawton et al. (2013a) and Frynas and Stephens (2014) call to re-examine the role *the state* plays in the mechanics and mechanism of non-market strategy.

Contextualising and politicizing CSR as part of CPA

CSR traditionally has been based upon implicit understandings that firms voluntarily (Carroll & Shabana, 2010) engage in responsible activities for which they are not legally obliged. Nevertheless, recently scholars have underscored the importance of context within which business activity takes place to fully understand CSR (Demirbag et al., 2017; Halme et al., 2009). Barkemeyer (2009) argues that Western approaches to CSR have limited relevance in non-Western institutional environments, especially in transition countries. Moreover, Dobers and Halme (2009, p.242) argue that in specific institutional environments where institutions are weak, CSR may be understood and enacted in alternative ways, giving it a different ‘twist’. As a result, traditional assumptions about CSR have increasingly been challenged with a corpus of scholars (Blasco & Zølner, 2010; Chapple & Moon, 2005) arguing the need for more contextualized research on CSR, appreciating the importance of varieties of institutional, legal and cultural context (Halme et al., 2009). Recently there has been a growth in studies on CSR in emerging and developing countries (Khan et al., 2015; Kolk & Van Tulder, 2010; Park, Chidlow & Choi, 2014) including China (Li & Zhang, 2010; Xu & Yang, 2010). Nevertheless, within the former socialist spaces of the former

Soviet Union and Eastern Europe, research has predominantly focused on Russia as its empirical focus (Crotty, 2014; Ray, 2008). Alongside

the increased interest in how CSR is operationalized across different institutional contexts, there has been an increasingly ‘political’ turn (Scherer et al. 2016) with the emergence of the concept of ‘political CSR’ (Hadjikhani, Lee & Ghauri, 2008; Scherer et al., 2016; Scherer and Palazzo, 2011; Matten and Crane, 2005), which pays attention to how firms increasingly adopt governmental responsibilities beyond their economic, ethical, legal and philanthropic responsibilities. The firm as a ‘political actor’ often emerges in response to the regulatory vacuum existing around the activities of MNEs (Matten and Crane, 2005; Palazzo and Scherer, 2006).

As Scherer et al. (2016, p.277) argue, political CSR has emerged in response to limitations across three academic discourses. Firstly, within the international business (IB) literature, apart from some notable exceptions (Doh et al., 2012; Rodriguez et al., 2006), much IB research fails to explore fully the responsibilities of MNEs as a consequence of phenomena such as global sourcing and different forms of internationalization. Secondly, the continued ‘instrumental’ framing of CSR (Carroll and Shabana, 2010) assumes a delineation between economic and political realms and hence fails to illuminate how firms in response to rapid forces of globalization, increasingly take on the provision of public goods within blurred political and economic domains. Finally, and particularly pertinent to this article’s underlying argument, political CSR challenges extant literature on CPA which whilst explaining the conditions and the success of political strategies of firms (Hillman et al., 2004; Lawton et al. 2013a; Lux et al., 2011) remains too focused on an instrumental view of corporate politics, often with no account taken of CSR research (Hillman et al., 2004). Rather than businesses simply influencing political environments in order to maximise

their economic interests, political CSR sees firms becoming political actors, co-producing specific institutional environments, in which they operate (Scherer and Palazzo, 2011).

As outlined above, we have witnessed the development of more contextualized CSR approaches and the rise of a CPA literature within business and management studies. Nevertheless, the linkages between CSR and CPA remain a neglected area of study, which has the potential to contribute to existing understandings of firms' non-market strategies. This article seeks to address this gap in extant literature not by exploring how firms jointly mediate CSR and CPA policies, but, rather, we seek to examine the relationships between CSR and CPA, in Service MNC contexts (Ghauri, Tasavori & Zaefarian, 2014) exploring to what extent firms seek an alignment (Birkinshaw, 2011: 42) between these two concepts.

Non-Market Strategies: The Role of the Everyday in Emerging Market Contexts

Existing non-market literature has focused on the notional unit of the 'firm' whilst failing to examine the critical importance of processes at the micro-level of non-market strategies. In response, within this article, we develop a micro-level focus to complement the macro-level work already undertaken. Furthermore, for Mellahi et al. (2016) development of the non-market strategy field requires that any analyses be conducted in tandem with *other disciplines* such as philosophy, sociology and the political sciences. Consequently, we examine the non-market strategy literature alongside wider sociological and philosophical literatures. This allows the surfacing of the role of the processual, micro and 'everyday' (De Certeau, 1984) dimensions of non-market strategy in business-state relations in the empirical context of Ukraine. De Certeau (1984) argues that institutions and their frameworks are the *prima facie* 'producer' of order and structure and resultant actions in the society. De Certeau termed

these structural and functionalist actions as ‘strategies’, which were exercised, through the central repository of hegemonic institutional power (even in relative terms in weak institutional environments). The aim of ‘strategies’, within De Certeau’s casting, was the control of individual actions. In response, individuals meet these institutional-strategic power structures by developing ‘tactics’. Tactics are about: ‘constantly manipulating events in order to turn them into *opportunities*’ – where the opportunities in this case relate to benefits to the firm (ibid: xix). Tactics provide an intelligent response to dealing with the ‘everyday’ when strategies fail to provide the necessary conditions, that is to say, in the present case, if the formal practices for business-state mediation in Ukraine alone are not sufficient.

What De Certeau refers to as the ‘opaque reality of local tactics’ (ibid: xxiii) in order to navigate and mediate over-arching strategies outlined by the state can be evidenced in CPA practices in emerging economy contexts (Marquis & Raynard, 2015). Tactics do not necessarily comply with the strategies set in place by the system. Indeed, individual actions may well develop alternative ways of engaging with the purported extant system and in so doing contravene and subvert it.

In applying the above thinking to non-market strategies, we recognise how non-market strategies emerge in varying institutional contexts. These form of micro-foundational assertions suggest that various institutions and bodies, within an overall institutional framework, employ ‘strategies’ which aim to direct and control firms’ behaviours (Cooper et al, 2017; Felin, Foss & Ployhart, 2015). However, individuals and firms are likely to develop and utilise ‘tactics’ in order to work alongside, by-pass and even replace parts of the intended institutional measures and mechanisms. These actions operate on an everyday basis with individuals exercising tactics in order to counter and subvert the perceived constraints and oppression of the strategies imposed

by the institutional system. This dynamic raises an important issue over competing legitimacies of the formal institutional structures and strategies, which are normatively deployed, and the everyday tactics engaged by individuals. As such, there is a clear need for more granular, critical, individual-focused and micro-orientated studies of the CPA: CSR domain. The article continues with a discussion of the research context of Ukraine and the methodologies employed within this study.

Research Context

Context remains a key issue in management and organization studies (Child, 2009; Meyer & Peng, 2016). As Liu & Vrontis (2017) argue, it is essential that the ‘context’ of sociocultural, economic, political and institutional differences is taken into consideration by scholars, business practitioners and policy-makers, especially within the context of emerging economies. As Liu & Vrontis (2017. 256) argue, it is important that scholars recognise how the existing assumptions and boundary conditions of existing theories within business and management studies may need to be critically challenged and potentially subsequently modified when the topic of examination may exist within a specific and often new context. We now provide some necessary context to this article.

Ukraine often scores poorly in global measures of corruption with Transparency International (2015) ranking Ukraine 130 out of 167 countries on its ‘corruption perception index’. Processes of rapid privatisation of state assets following the collapse of socialism led not to embedding of real market relations in Ukraine, but rather the appropriation of state assets by those with connections to government (Williams et al., 2013), leading to Ukraine resembling a ‘predatory’ state (Grzymala-Busse, 2008). The institutional environment in Ukraine is evolving which presents significant challenges to MNEs. Thus in such context, non-

market strategies take a central stage in developing competitive advantage in emerging markets and dealing with evolving business environment (Li et al., 2013; Puck et al., 2013).

Methodological Approach

We utilised a qualitative design to explore the nature of non-market strategies utilised by foreign owned SMNEs operating in Ukraine. Our approach is in line with recent research highlighting the need for qualitative studies in the field of IB (Birkinshaw et al., 2011; Doz, 2011; Welch & Piekkari, 2017). Engaging in an inductive research methodology enabled the generation of rich, in-depth exploratory data (Bryman and Bell, 2015; Ghauri, 2004; Ghauri & Firth, 2009; Ghauri & Grønhaug, 2010) regarding how foreign owned SMNEs engage in non-market strategies as a means to develop a sustainable market position within Ukraine. In order to avoid ‘regional bias’ in a country with strong regional diversity (Rodgers, 2006), data were generated in three cities, Kharkiv in the east, L’viv in the west and in Kyiv, in the centre of Ukraine. All three cities are key regional administrative centres in Ukraine. Kharkiv located in the east of the country is a predominantly Russian-speaking city (Rodgers, 2006) and today remains a leading centre of heavy engineering in Ukraine. L’viv, located in Western Ukraine, close to the Polish border remains the hotbed of Ukrainian nationalism and European leaning. Finally, Kyiv is the capital and government and commercial centre of Ukraine.

In order to overcome difficulties regarding sampling bias, we engaged in a referral-driven sampling method. The lead author, who has lived and worked in Ukraine previously for several years, generated a list of potential firms through Internet searches and contacting the Chambers of Commerce and other business associations in the three

respective cities. Taking into account the overarching aim to explore how foreign-owned SMNEs operated in Ukraine, domestically owned firms were excluded from the search. The list was based on existing known ‘warm’ contacts (access is notoriously difficult in Ukraine) and a smaller number of possible contacts provided by referral (Stokes & Wall, 2014). In following this rigorous process, we sought to overcome potential risks associated with a reliance on a narrow set of social contacts and avoided any issues regarding sampling bias. As a result, twenty-four in-depth qualitative interviews lasting between a minimum of forty-five minutes and a maximum of ninety minutes were undertaken with business-managers and business owners in 2013 within nine foreign-owned Service MNEs operating in Ukraine. These interviews were conducted in the Russian and Ukrainian languages with the consent of each respondent. The lead author is fluent in both languages, which enabled rapport to be established with the respondents and ensured consistency in translation of the interviews into the English language. The interviewee profiles are mapped in Table 1.

INSERT TABLE 1 ABOUT HERE

The interviews were semi-structured, which meant that a number of issues not on the interview schedule were raised by some respondents, which were relevant and were subsequently explored further (Silverman, 2013). The interviews were recorded with the respondent’s consent and transcribed and translated. Interviews talked about the general business environment in Ukraine, constraints to undertaking business in Ukraine in general and as a foreign firm in particular, relations with state bureaucrats and tactics utilized for generating a sustainable market position for the firm.

We undertook a thematic analysis and coding of the interview data in order to explore emergent themes (Braun and Clarke, 2006; Gaur & Kumar, 2018; Ghauri, 2004; Ghauri & Firth, 2009; Ghauri & Grønhaug, 2010). In keeping with Bryman (2012) the reliability of coding was structured in order to prevent coder bias. The coding process was conducted independently by the authors, with overarching thematic categories identified to develop a coding scheme based on key themes so that intra-coder reliability could be consistent (King and Brooks, 2016). The authors then applied this coding scheme, and the results were compared to ensure inter-coder reliability by identifying any discrepancies between the coders so that they could be revisited and agreed. This constant comparative method involved continually identifying emergent themes against the interview data, and employing analytic induction whereby the researcher identifies the nature of a relationship and develops the narrative (Silverman, 2013; Ghauri, 2004; Ghauri & Firth, 2009; Gaur & Kumar, 2018).

The qualitative approach was particularly appropriate to enable managers to articulate how they perceive the institutional environment and their firm's reliance on non-market strategies to deal with institutional challenges. Quotations from the interviews are used to provide enhancement and to add voice to the study. Table 2 presents a summary of the responses to the key issues emerging and the frequency of those responses. In many cases, consensus was found regarding the key areas of exploration and these responses could therefore be considered to be representative of the views of the majority of the respondents.

INSERT TABLE 2 ABOUT HERE

Our second and third order themes were derived through an iterative and comparative method (Silverman, 2005). The final set of core categories emerged from our analysis

of the interview data. Several themes were distilled, which we theorise in our discussion: formal and informal CPA; individual and institutional dynamics; outsourcing of blurred CPA activities; Aligning and blurring of CPA/CSR activities and coerced complementarity and isomorphic legitimation. We discuss each of these in turn in the following section. We now move on to present our findings.

Findings and Discussion

Formal and informal CPA: individual and institutional dynamics

During the fieldwork, the majority of managers interviewed spoke about the consequences of Ukraine's difficulties in transforming from a command-based to a market-based economy (Williams et al., 2013). The managers highlighted that as well as engaging in 'formal' CPA activities such as lobbying (*'We are a Russian firm and use our Chambers here in Ukraine to lobby interests through meetings with the various Ministries'* – INT 10), the existing 'rules of the game' in Ukraine's institutional milieu forced firms to engage in explicitly corrupt activities to survive in the marketplace. Several managers outlined how they were *subject to* corrupt, forced into adhering to not only formal rules of business engagement but also informal rules of the game.

'We are an American owned firm. We require constant checking of our systems from the state regulatory organs. In order to gain approval, we need to pay these state officials. We've found out that it works like that here.' (INT: 14).

Nevertheless, the weaknesses and or/lack of state capacity in Ukraine leading to institutional voids (Khanna & Palepu, 2010; Puffer et al., 2010) was commonly mentioned by managers:

'We are a large multinational business. We have a competent tax department, which rarely makes mistakes. Here the tax administration tries, often shamelessly, to make out that we're not paying our way correctly.' (INT: 24).

Individuals also spoke about the continuing legacies from Soviet times with state bureaucrats constantly seeking to enact their ‘power’. Whilst state bureaucrats had overseen Ukraine’s chaotic attempts at economic transformation (Williams et al., 2013) which whilst leading to insignificant meaningful economic reforms had facilitated a minority elite in Ukraine to enrich themselves greatly (Aslund, 2014), had left bureaucrats receiving pitifully low formal wages. In response, state actors had sought to ‘privatise’ their power, seeking to enrich themselves in often semi-legal or illegal means. Various non-market strategies formed an integral part of this process. Respondents highlighted how state officials used different tactics such as changing regulatory rules, refusing to give out necessary permits and renew permits and constantly postponing regulatory visits. As a manager of a large logistics chain summed up; (*‘They know they have some power over us and use it for their advantage...they make sure that we end up paying them in the end’* – INT 15). Indeed, the majority of respondents saw the articulation of a variety of tactics as a way to mediate, circumvent and navigate Ukraine’s institutional milieu to be expected *‘it’s just the way they do things here’* – INT 8), confirming Lawton et al (2013a)’s argument, that in a weak institutional environment, informal or illegal CPA activities may become normalized within the everyday context. Several managers spoke about the importance of *‘razpil’* – siphoning off – as a tactic to protect and buffer business interests using a network of trusted contacts:

‘We have an IT business in Ukraine and across Central and Eastern Europe. The state officials constantly try to change rules to catch us out and gain more monies for themselves. We’ve set up some ‘daughter’ firms, which are based in Ukraine and elsewhere. We pay these firms for services rendered and it keeps things ticking over there’ – (INT 18).

Such embedded networks involving *‘lubi druzi’* – one’s own people –emerged within the late Soviet period as a means and a ‘tactic’ of individuals to navigate the intricacies

of the Soviet deficit economy. Today, in Ukraine's fluid institutional environment, they are being refashioned on monetarist terms - gaining of economic assets replacing the former desire to gain nearly unobtainable goods. Moreover, such findings lend weight to Rajwani and Liedong (2015)'s argument that in some emerging economies, social capital ties can lead to manifestations of corrupt practices. Here, the contacts are 'enabling' in allowing firms to avoid interaction with rapacious state actors. In many respects, the research affirmed that MNEs operating in Ukraine certainly expected, anticipated, and even embraced, the use of informal practices in their engagement with state institutions.

Outsourcing of 'blurred' CPA activities

Whilst respondents highlighted how managers were compelled to develop and enact different 'opaque reality of local tactics' (De Certeau, 1984: xxiii) in order to mediate the lack of institutional capacity in Ukraine, with the payment of 'informal taxes' clearly one clear tactic *inter alia*, nevertheless, several managers spoke about the difficulties from a corporate culture perspective of engaging in such behaviour. As one manager of an Austrian-owned IT business stated, '*We know how paying a bribe gets things done quickly here but we can't just use our resources in this way – our bosses back home won't be pleased let alone our shareholders*' – INT 3). In response to the need to adhere and align firm behaviour to the rules of the game, formal and informal in Ukraine, coupled with often the need to simultaneously adhere to firm-level rules and policies in relation to 'good practice and transparency', several of the managers of MNEs during interviews highlighted how the firm had developed a tactic; namely the outsourcing of informal/illegal forms of CPA activities. To bypass internal scrutiny from company bosses in the home country and also no less significantly, shareholders, several firms employed domestically-owned Ukrainian firms as

‘consultants’, charged with the task of dealing with institutional actors. As one manager of an Austrian logistics firm states:

‘We’ve been working in Ukraine for over eight years. Things have been tough, especially at the start. Everything here seems to be ‘political’. We employ a consulting firm who provide the necessary services to smooth over issues with local bureaucrats’ – (INT 1).

Other respondents highlighted how local consultancy firms were paid in order: ‘to make sure that there were no delays with import and export of our products’ - (INT 18), whilst other firms used ‘consultants’ to make sure that government regulatory checks all passed smoothly (we pay a firm who deals with all the regulatory work. Without them, we’d have constant problems with the state officials – INT 20). Such a ‘professionalisation’ of outsourced services reflects the changing environment in which business-state and non-market relations take place in the Ukrainian context. Whilst informal practices may have represented ‘opportunistic’ tactics (De Certeau, xix) for firms to ‘get ahead’ and survive during the period of chaos in the 1990s, today they represent increasingly culturally normalised and embedded practices. Moreover, several business managers explained how they employed ‘liaison officers’ whose roles were essentially as fixers. Whilst ‘*tolkachi*’ was a Soviet term for ‘fixers’ (Reyn and Taalas, 2004) who were employed by Soviet enterprises to navigate the maze of (post-) Soviet bureaucracies, today we witness the formalization of these roles as a way for firms to mediate the predatory business environment in Ukraine, used as a tactic by foreign owned MNEs to navigate Ukraine’s institutional environment.

‘In Ukraine we employ a group of ‘security specialists’ to find out not only what our competitors are doing but also if they are breaking the law. This is useful as it gives us leverage. We need to stay focused though and remember people will be watching us also’ (INT: 8).

Several interviewees spoke about the dangers of ‘raiderstvo’ – corporate raiding, or asset grabbing which involves the illicit acquisition of a part of or the whole of a business (Hanson, 2014). Such ‘asset grabbing’ involved private firms, working alongside and in cahoots with a variety of institutional actors (law enforcement, tax authorities and the judiciary), often exploiting loopholes in Ukraine’s legal system to seize private assets. Managers outlined how fixers were used also to ‘keep a check on what the government was thinking’ – (INT 17) and deal with reputation issues relating to the firm in Ukraine and protect the firm from potential unwelcome interest from the state and/or other competitors.

Aligning/blurring of CPA/CSR activities

Seeking legitimacy

The findings suggest that majority of the firms engaged in aligning forms of CPA/CSR activities to varying degrees. The examples below illustrates how foreign-owned firms, upon developing their business operations in Ukraine had chosen to engage in philanthropic activities as a way to seek legitimacy (Elg, Ghauri, Child & Colinson, 2017) across a wide range of stakeholders in Ukraine.

‘Our firm purchased a large installation and we soon realised our importance to the city in which we work. In the Soviet times, the installation had been part of a complex, which had provided social provisions for the city; nursery schools and health clinics. We’ve continued in these traditions and we think it’s been well appreciated’ – (INT 12).

As the above example highlights, there exists a legacy of vertical paternalism from the Soviet times, which firms have chosen to continue as a corporate strategy in Ukraine. Moreover, managers also noted how often their CSR activities provided social goods, which were substituting for the state’s lack of capacity to provide such services. As a manager of Polish owned fashion retailer states,

‘When we started our business here we became aware that the local sports fields had become derelict. The city council is responsible for their upkeep but doesn’t

have any money. We've stepped in and we know make sure the local people have good facilities here' – (INT 7).

Other managers also outlined how their firms engaged in such 'voluntary' forms of CSR (Davis, 1973), providing services such as childcare and engaging in other forms of corporate philanthropy and social responsibility.

Coerced complementarity and isomorphic legitimation

Traditional approaches to CSR in Western contexts assume that whilst a firm engages in CSR activities, motivated by an instrumental or normative bias – nonetheless this activity is voluntary (Crotty, 2014). However, several business managers outlined how their firms, since developing their business in Ukraine had increasingly been coerced into developing CSR activities. As a manager of a Turkish-owned transportation firm asserts:

'We know the rules and how things work here. When we arrived, we invested time and money in getting to know the local state elites. It was clear that there was an expectation for us to deliver not only jobs for local people and pay our taxes but to do more. We were shown some social projects in the city, which needed funding. Since then, we have made strategic decisions to fund these. It works like that' – (INT 23)

Several respondents echoed these sentiments, highlighting how in Ukraine's weak institutional environment, when the state actors were either unwilling or lacking the capacity to fulfill their social obligations to the citizenry, large firms, particularly foreign MNEs were 'asked' and 'expected' to provide assistance. The 'coerced' nature of such CSR activities echoes similar results in Crotty (2014)'s study in provincial Russia. Moreover, theoretically it highlights how in specific institutional contexts the firm may 'substitute' for the state (Matten & Crane, 2005). Whilst such substituting effects were evident ('we have been asked by the state to make sure that the health

centre in our district remains fully stocked with medicines’ – (INT 4), nevertheless, substituting effects did not take place solely here. In fact, several managers highlighted implicit linkages between a firm’s CPA and CSR activities. As a manager of a large Russian-owned IT firm stated,

‘It’s like a see-saw. In reality, firm’s have a choice but don’t really have a choice. We can either engage in social projects, assisting the local government or we’ll end up paying lots in terms of lobbying and consultancy fees. The only constant is that we’ll end up paying’ (INT – 11).

Here, we witness how engaging in CSR activities not only means substituting for the firm in terms of its responsibilities to society at large, it also leads to substituting or ‘offsetting’ effects in terms of lobbying (CPA) costs. Whilst we witness the interplay of CPA and CSR activities, there also surfaced complementary effects between CPA and CSR policies. Managers highlighted how in some instances, the firm was expected to engage in both informal/illegal CPA activities and simultaneously invest resources into CSR policies.

‘Where we’ve worked before, to be honest, you pay the right people and you are allowed to get on with your business. Here, things are different. We pay the right people and employ consultants to keep the state officials off our backs. However, they want more. They want us to invest in lots of social programmes too’ (INT – 5).

Other managers highlighted how CPA and CSR activities often “go hand in hand” – (INT 10) and demonstrate how, rather than the alignment of CPA and CSR activities leading to increased trust between business and the polity (Liedong et al., 2015), rather this ‘artificial trust’ coerced complementarity between CPA and CSR was a product of the ‘weak-strong’ nature of institutions within Ukraine’s institutional space. Moreover, as well as engaging in both CPA and CSR activities in order to adhere to the rules of the game, predicated by the state, nevertheless, such activities aided both

firm and state alike in increasing their legitimacy across society (Kostova & Zaheer, 1999) and was necessarily mutually reinforcing.

‘We understand the rules of the political game now. We need to pay some informal taxes and also we need to fund some social programmes. We benefit from improving our reputation as a foreign business interested in local issues. For the state officials, it’s is a ‘win-win’ too. They manage to receive some monies and also show to the local population how they’ve attracted international business to the region’ (INT 22).

Such sentiments represent a form of organizational isomorphism emerging in which the ‘rules of the game’ in Ukraine are driving an alignment and homogeneity of firm behaviour (Keig et al. 2015) in order to improve mutual legitimacy. However, what is significant is that rather than Ukraine’s corrupt institutional environment driving corporate social irresponsibility (Keig et al., 2015), as might be expected, instead the specific institutional milieu in fact drives socially responsible behaviour in cahoots with more informal/illegal corporate political activities.

Conclusions

This article responds to the core objectives of this *Call for Articles* to examine how Service MNEs engage in internationalisation activities and in particular underscores the mechanisms through which Service MNEs seek to develop legitimate market positions within emerging market economies (Elg et al., 2015; 2017). The article addresses the overlapping of CPA and CSR across international contexts by exploring the tactics of foreign-owned Service MNEs operating in Ukraine. In doing so, the article contributes to extant literature relating to how firms use non-market strategies across different institutional contexts (e.g. Ghauri, Tasavori & Zaefarian, 2014; Lawton, McGuire, & Rajwani, 2013; Lawton, Rajwani, & Doh, 2013; Meznar & Nigh, 1995) and in particular, in the context of emerging economies (Doh et al., 2012; Elsahn & Benson-Rea, 2018). Furthermore, the article responds to calls to integrate the two dominant domains of non-market strategy of CPA and CSR (Baron, 2001; Frynas & Stephens,

2014; Frynas et al., 2017; Rodriguez et al., 2006). Contributing to the extant literature on the behaviour of MNEs within emerging economies (Akbar & Kisolowski, 2013; Elg et al., 2015; 2017; Hillman & Wan, 2005; Puck, Rogers, & Mohr, 2013) and in particular how foreign firms utilise CPA within emerging economies (Puck et al, 2013; Elsahn & Benson-Rea, 2018), this article focuses on the mechanisms involved within non-market strategies (De Villa et al., 2018; Lawton et al., 2013). As such, whilst extant literature has focused strongly on the determinants of political strategies (Blumentritt & Nigh, 2002; Meznar & Nigh, 1995), there is a need for empirical analyses of not only the outcomes of political strategies (Li, Zhou, & Shao, 2008) but also the effectiveness of political strategies across different contexts (Demirbag et al., 2017 Getz, 1997). Rather than focusing on how MNEs negotiate with a host government upon entering a foreign market (Hillman & Wan, 2005; Mondejar & Zhao, 2013; Zhang et al. 2016), our empirical findings extend extant knowledge in this area by highlighting how Service MNEs, use a variety of post-entry CPA and CSR tactics to navigate and offset institutional voids (Khanna & Palepu, 2010) in order to establish legitimacy in the market (Elg et al., 2017; Kostova & Zaheer, 1999), but also overcome the liability of foreignness (Zaheer, 1995).

The study contributes to extant understandings of strategic firm responses within IB research (Doh et al., 2012; Regnér & Edman, 2014) by showcasing the inherent interdependency between context and agency (MNE strategies and institutional actors) within international business settings and how they have the power to constitute each other in distinct ways (McGaughey et al., 2016). As such, the article makes an important theoretical contribution by highlighting the need to better understand the *mechanisms* in organizational research (Anderson et al., 2006). We argue that the corporate political activities of Service MNEs in the specific emerging

market setting of Ukraine, are the product of *entwined micro-level* business-state relations (e.g., Felin et al., 2015). The findings demonstrate that Service MNEs not only have to engage in political activities with the state upon entering the Ukrainian market, but also need to maintain political activities during the post-entry stage in order to survive in contexts where institutions are in a state of flux. We find that Service MNEs engage in a variety of CPA tactics, across formal and informal spheres, in order to navigate the institutional milieu in Ukraine. Our findings demonstrate how MNEs also often employ domestic Ukrainian firms as a tactic to mediate and engage with often rapacious and incoherent state bureaucracies. Moreover, in a further contribution MNEs also engage in CSR activities - in concert with government agencies - as a device through which to execute CPA, however institutional actors often coerce these activities. Service MNEs are forced to undertake a variety of 'social' obligations, which act necessarily having a substituting effect. Whilst engaging in such activities clearly has organizational and economic costs for the firm, nevertheless, MNEs gain by improving their legitimacy (Elg et al., 2017) not only in the eyes of predatory and corrupt state officials (Lawton et al., 2013) but also in terms of the wider society and access to an attractive market (Brouthers et al., 2008).

Responding to calls to integrate approaches from different academic disciplines to extend our understanding of the nature of non-market strategies (cf. Frynas et al., 2017), the study makes the theoretical contribution of employing De Certeau's (De Certeau, 1984) framework of 'strategies' and 'tactics'. By doing so, the article demonstrates how in the specific institutional 'rules of the game' of Ukraine, service MNEs are forced to not only maintain strong market capabilities but also need to engage in proactive CPA and CSR activities. Theoretically, our findings extend the scant attention to linkages between two dominant

domains within non-market strategy literature (Frynas and Stephens, 2014; Frynas et al., 2017; Rodriguez et al., 2006) by demonstrating how MNEs in Ukraine are forced into aligning their CPA and CSR activities in the face of predatory state strategies. Seeking to move beyond normative claims that CPA and CSR *should* be aligned, our article's findings show under specific institutional conditions, thus - as a theoretical concept and contribution - *coerced complementarity* (CSR modulating and moderating CPA) emerges as a clear tactic amongst MNEs in order to prosper against the backdrop of evolving institutions. By engaging in CSR activities, which substitute for state inefficiencies and incapacities, service MNEs are then able to also substitute these costs against reduced 'informal taxes' to different institutional actors. The findings highlight not only the importance of the institutional context when seeking to further examine the linkages between CPA and CSR activities but also how alignment with CPA and CSR activities does not necessarily lead to increased trust between firms and the polity (Liedong et al. 2015). Instead, MNEs engage in the tactic of aligning their CPA and CSR activities in response to the predatory and coercive behaviour of the state. As such, responding to calls for a re-examination of the function of the state with regard to the market (Frynas & Stephens, 2014) at a granular level, our article highlights and makes a managerial implication of how state capacity (or incapacities) predicates specific non-market behaviours and necessarily impacts upon the lived experiences of MNEs. Whilst existing literature state that corrupt behaviour of MNC competitors may impact upon a MNE to also engage in corporate social irresponsible (CSiR) activities to maintain their market position (Keig et al., 2015), within our empirical study, on the contrary, we find that MNEs, and the individuals within them, can engage simultaneously in pseudo-legal, informal/corrupt activities (CPA activities) whilst also engaging in formal CSR activities. Thus, these findings offer a much fine grained micro level insights about the

deployment of non-market strategies by MNEs in emerging markets (Felin et al., 2015).

Implications for Practice

The empirical findings outlined in this article also have implications for business practitioners and policy-makers. Firstly, it is important to recognise the specific challenges business managers within MNEs based in developed economies face when seeking to enter and crucially remain within often uncertain and politically risky emerging market economies. Nonetheless, firms have the possibility to exploit the experience gained operating in such ‘risky’ environments to use it as an opportunity to develop wider management learning and training within the MNE, particularly in its strategic thinking towards entering other foreign markets through the use of non-market strategies.

However, whilst our findings have encapsulated the dynamism and tactics, which have emerged as a result of entwined business-state relations within Ukraine it is important to take account of the fact that a ‘one size fits all’ approach may not prove successful for MNEs operating across diverse institutional contexts. Furthermore, business managers, considering strategic choices when operating within such institutional settings may also need to reflect not only questions pertaining to the firm’s legitimacy within the host country, but also on the views of wider firm stakeholders, including their shareholders within the home country environment and further afield. Secondly, whilst in this article, we have underscored how context and agency are interdependent upon each other, it is also important to recognise that the multiple embeddedness of MNEs may enable them to play proactive roles in enabling processes of institutional dynamics and change within emerging market contexts. Managers need to carefully align both CPA and CSR when operating in emerging markets in order to develop competitive advantage and survive at the post-entry stage.

Limitations and Future Research

In terms of limitations, the study is localized geographically within several cities in Ukraine and involved, by necessary dint of geography, time and political access, only a certain number of interviewees. Whilst the views of the interviewees cannot be considered to be representative of all such business managers in Ukraine, which limits the generalizability of the findings, the value of the research lies in the rich contextual insights it provides. Further research could involve a mixed-methods approach and expand the study geographically and also in terms of the sample to include specific business sectors. Also, the study was confined to foreign-owned Service MNEs operating in Ukraine. A potential avenue for future research may be to examine to what extent domestically owned firms in Ukraine are forced to negotiate similarly with state structures and to what extent there may be strategic advantages for Service MNEs in Ukraine to develop joint ventures with domestic firms to offset the predatory strategies of the state. Future studies are also needed which can focus on the managerial practices by adopting a strategy as practice lens (e.g., Jarzabkowski, 2005) and processes behind CSR/CPA in different markets as well as focusing on the perceptions of state actors operating in such challenging institutional environments.

References

- Aguinies, H. and A. Glavas (2012). 'What We Know and Don't Know About Corporate Social Responsibility A Review and Research Agenda', *Journal of Management*, 38(4), pp. 932–968.
- Akbar, Y.H. and Kisilowski, M., 2015. Managerial agency, risk, and strategic posture: Nonmarket strategies in the transitional core and periphery. *International Business Review*, 24(6), pp.984-996.
- Anderson, P. J. J., Blatt, R., Christianson, M. K., Grant, A. M., Marquis, C., Neuman, E. J., et al. (2006). Understanding mechanisms in organizational research: Reflections from a collective journey. *Journal of Management Inquiry*, 15(2), 102–113.

- Banerjee, S., & Venaik, S. (2017). The Effect of Corporate Political Activity on MNC Subsidiary Legitimacy: An Institutional Perspective. *Management International Review*, 1-32. DOI 10.1007/s11575-017-0324-0
- Bartlett, C. and Ghoshal, S. (2013) Building competitive advantage through people. *Sloan Management. Review*, 43(2).
- Barkemeyer, R. (2009). Beyond compliance—Below expectations? CSR in the context of international development. *Business Ethics: A European Review*, 18, 273-288.
- Biggart, N. and M. Guillén (1999). Developing Difference: Social Organization and the Rise of the Auto Industries of South Korea, Taiwan, Spain, and Argentina. *American Sociological Review*, 64(5), pp. 722–747.
- Birkinshaw, J. (2011). ‘Do you really know where you are going?’ *Business Strategy Review*, 22, 41-5.
- Birkinshaw, J., Brannen, M. Y., & Tung, R. L. (2011). From a distance and generalizable to up close and grounded: Reclaiming a place for qualitative methods in international business research. *Journal of International Business Studies*, 42(5), 573-581.
- Blasco, M., & Zølner, M. (2010). Corporate social responsibility in Mexico and France: Exploring the role of normative institutions. *Business & Society*, 49, 216-251.
- Blumentritt, T. P., & Nigh, D. (2002). The integration of subsidiary political activities in multinational corporations. *Journal of International Business Studies*, 33(1), 57–77.
- Boddewyn, J. J. (2016). International business-government relations research 1945–2015: Concepts, typologies, theories and methodologies. *Journal of World Business*, 51(1): 10–22.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative research in psychology*, 3(2), 77-101.
- Brouthers, L. E., Gao, Y. and McNicol, J. P. (2008). Corruption and market attractiveness influences on different types of FDI. *Strategic Management Journal*, 29, 673–80.
- Bryman, A., and Bell, E. (2015). *Business Research Methods*. Oxford: Oxford University Press.
- Bryman, A. (2012). *Social Research Methods*. New York: Oxford University Press.
- Carroll, A. B., & Shabana, K. M. (2010). The business case for corporate social responsibility: A review of concepts, research and practice. *International Journal of Management Reviews*, 12, 85-105.
- Chapple, W., & Moon, J. (2005). Corporate social responsibility in Asia: A seven country study of CSR web site reporting. *Business & Society*, 44, 415-441.
- Child, J. (2009). Context, comparison, and methodology in Chinese management research. *Management and Organization Review*, 5(1), 57–73.
- Cooper, S. C. L., Stokes, P., Liu, Y., & Tarba, S. Y. (2017). Sustainability and organizational behavior: A micro-foundational perspective. *Journal of Organizational Behavior*, 38(9), 1297-1301.
- Crotty, J. (2014). Corporate Social Responsibility in the Russian Federation: A Contextualized Approach. *Business & Society*. Available from: <http://bas.sagepub.com/cgi/doi/10.1177/0007650314561965> (accessed 6 January 2015).
- Contractor, F. J., & Kundu, S. K. (1998). Modal choice in a world of alliances: Analyzing organizational forms in the international hotel sector. *Journal of international business studies*, 29(2), 325-356.

- Cuervo-Cazurra, A. (2016). Multilatinas as sources of new research insights: The learning and escape drivers of international expansion. *Journal of Business Research*, 69, 1963–1972. doi: 10.1016/j.jbusres.2015.10.142
- De Certeau, M. (1984). *The Practice of Everyday Life*. Berkeley: University of California Press.
- Demirbag, M., Wood, G., Makhmadshoev, D., and Rymkevich, O. (2017). Varieties of CSR: institutions and socially responsible behavior, *International Business Review*, 26(6), 1064-1074.
- De Villa, MA and Rajwani, TS and Lawton, T and Mellahi, K (2018) To engage or not to engage with host governments: Corporate political activity and host-country political risk. *Global Strategy Journal*. ISSN 2042-5805.
- Dieleman, M. and J. Boddewyn (2011). Using Organization Structure to Buffer Political Ties in Emerging Markets: A Case Study. *Organization Studies*, 33(1), pp. 71–95.
- Dobers, P., & Halme, M. (2009). Corporate social responsibility and developing countries. *Corporate Social Responsibility and Environmental Management*, 16, 237-259.
- Doh, J., S. McGuire and T. Ozaki (2014). *The Journal of World Business* special issue: Global governance and international non-market strategies: introduction to special issue. *Journal of World Business*, 50, pp. 256-261.
- Doh, J., T. Lawton and T. Rajwani (2012). Advancing Non-market Strategy Research: Institutional Perspectives in a Changing World. *The Academy of Management Perspectives*, 26(3), pp. 22–39.
- Doh, J. and T. Guay (2006). Corporate Social Responsibility, Public Policy, and NGO Activism in Europe and the United States: An Institutional-Stakeholder Perspective. *Journal of Management Studies*, 43(1), pp. 47–73.
- Doz, Y. (2011). Qualitative research for international business. *Journal of International Business Studies*, 42(5), 582-590.
- Easter, G. (2000). *Reconstructing the State: Personal Networks and Elite Identity in Soviet Russia*. Cambridge University Press, Cambridge.
- Elg, U., Ghauri, P.N., Child, J. and Collinson, S. (2017). MNE microfoundations and routines for building a legitimate and sustainable position in emerging markets. *Journal of Organizational Behavior*, 38(9), pp.1320-1337.
- Elg, U., Ghauri, P.N. and Schaumann, J. (2015). Internationalization through sociopolitical relationships: MNEs in India. *Long Range Planning*, 48(5), pp.334-345.
- Elsahn, Z.F., & Benson-Rea, M. (2018). Political Schemas and Corporate Political Activities During Foreign Market Entry: A Micro-process Perspective. *Management International Review*, pp.1-41.
- Felin, T., Foss, N. J., & Ployhart, R. E. (2015). The microfoundations movement in strategy and organization theory. *The Academy of Management Annals*, 9(1), 575-632.
- Fortwengel, J., 2017. Understanding when MNCs can overcome institutional distance: A research agenda. *Management International Review*, 57(6), pp.793-814.
- Frynas, J.G., Child, J. and Tarba, S.Y. (2017). Non-market social and political strategies–New integrative approaches and interdisciplinary borrowings. *British Journal of Management*, 28(4), pp.559-574.
- Frynas, J. and S. Stephens (2014). Political Corporate Social Responsibility: Reviewing Theories and Setting New Agendas. *International Journal of Management Reviews*, 17(4), pp. 483-509.

- Gaur, A., & Kumar, M. (2018). A systematic approach to conducting review studies: An assessment of content analysis in 25years of IB research. *Journal of World Business*, 53(2), pp.280-289.
- Ghauri, P. (2004). Designing and conducting case studies in international business research. in: R. Marschan-Piekkari, C. Welch (Eds.), *Handbook of qualitative research methods for international business*, Edward Elgar, Cheltenham, UK & Northampton USA, pp. 109-124.
- Ghauri, P., Tasavori, M., & Zaefarian, R. (2014). Internationalisation of service firms through corporate social entrepreneurship and networking. *International Marketing Review*, 31(6), 576-600.
- Ghauri, P.N. and Grønhaug, K. (2010). *Research methods in business studies: A practical guide*. Pearson Education.
- Ghauri, P.N. and Firth, R. (2009). The formalization of case study research in international business. *der markt*, 48(1-2), pp.29-40.
- Gleich, W., Schmeisser, B. and Zschoche, M., 2017. The influence of competition on international sourcing strategies in the service sector. *International Business Review*, 26(2), pp.279-287.
- Grzymala-Busse, A. (2008). Beyond Clientilism: incumbent state capture and state formation. *Comparative Political Studies*, 41, (4/5), 638–673.
- Hadjikhani, A., Elg, U. and Ghauri, P.N. (2012). *Business, society and politics: Multinationals in emerging markets* (Vol. 28). Bingley, UK: Emerald.
- Hadjikhani, A., Lee, J. W., & Ghauri, P. N. (2008). Network view of MNCs' socio-political behavior. *Journal of Business Research*, 61(9), 912-924.
- Hadjikhani, A., & Ghauri, P. N. (2001). The behaviour of international firms in socio-political environments in the European Union. *Journal of Business Research*, 52(3), 263-275.
- Halme, M., Roome, N., & Dobers, P. (2009). Corporate responsibility: Reflections on contexts and consequences. *Scandinavian Journal of Management*, 25, 1-9.
- Henisz, W. and B. Zelner (2012). ‘Strategy and Competition in the Market and Non-market Arenas’, *Academy of Management Perspectives*, 26(3), pp. 40–51.
- Hillman, A. J., & Wan, W. P. (2005). The determinants of MNE subsidiaries’ political strategies: Evidence of institutional duality. *Journal of International Business Studies*, 36(3), 322–340. ^[1]_{SEP}
- Hillman, A., G. Keim and D. Schuler (2004). ‘Corporate Political Activity: A Review and Research Agenda’, *Journal of Management*, 30(6), pp. 837–857.
- Holburn, G. and R. Vanden Bergh (2008). ‘Making Friends in Hostile Environments: Political Strategy in Regulated Industries’, *Academy of Management Review*, 33(2), pp. 521–540.
- Jaklič, A., Ćirjaković, J. and Chidlow, A. (2012). Exploring the effects of international sourcing on manufacturing versus service firms. *The Service Industries Journal*, 32(7), pp.1193-1207.
- Jamali, D., Karam, C., Yin, J., & Soundararajan, V. (2017). CSR logics in developing countries: Translation, adaptation and stalled development. *Journal of World Business*, 52(3), 343-359.
- Jarzabkowski, P. (2005). *Strategy as Practice*. London: Sage.
- Jiang, Y., M. Peng, X. Yang and C. Mutlu (2015). ‘Privatization, governance, and survival: MNE investments in private participation projects in emerging economies’, *Journal of World Business*, 50, pp. 294-301.

- Keig, D.L., Brouthers, L.E. and Marshall, V.B., (2015). Formal and informal corruption environments and multinational enterprise social irresponsibility. *Journal of Management Studies*, 52(1), pp.89-116.
- Khan, Z., Lew, Y.K., and Park, B.I. (2015). Institutional legitimacy and norms-based CSR marketing practices: Insights from MNCs operating in a developing economy, *International Marketing Review*, 32(5), 463-491.
- Khanna, T., and Palepu, K.G., (2010). *Winning in emerging markets: A road map for strategy and execution*. Harvard Business Press, MA, USA.
- Khanna, T. and Y. Yafeh (2007). Business Groups in Emerging Markets: Paragons or Parasites?, *Journal of Economic Literature*, 45, pp. 331–72.
- King, N., & Brooks, J. M. (2016). *Template Analysis for Business and Management Students*. Sage.
- Knott, J., and Miller, G. (2006). Social Welfare, Corruption and Credibility. *Public Management Review*, 8(2), 227–52.
- Kolk, A. (2016). The social responsibility of international business: From ethics and the environment to CSR and sustainable development. *Journal of World Business*, 51(1), 23-34.
- Kolk, A., & Van Tulder, R. (2010). International business, corporate social responsibility and sustainable development. *International Business Review*, 19(2), 119-125.
- Kostova, T., Roth, K., & Dacin, M. T. (2008). Institutional theory in the study of multinational corporations: A critique and new directions. *Academy of Management Review*, 33(4), 994–1006.
- Kundu, S. K., & Merchant, H. (2008). *Service multinationals: Their past, present, and future*. Springer.
- Kundu, S. K., & Lahiri, S. (2015). Turning the spotlight on service multinationals: new theoretical insights and empirical evidence. *Journal of International Management*, 21(3), 215-219.
- Lawton, T., S. McGuire and T. Rajwani (2013a). ‘Corporate Political Activity: A Literature Review and Research Agenda’, *International Journal of Management Reviews*, 15(1), pp. 86–105.
- Lawton, T., Rajwani, T., & Doh, J. (2013b). The antecedents of political capabilities: A study of ownership, cross-border activity and organization at legacy airlines in a deregulatory context. *International Business Review*, 22(1), 228–242.
- Li, S., Fetscherin, M., Alon, I., Lattemann, C., & Yeh, K. (2010). Corporate social responsibility in emerging markets. *Management International Review*, 50(5), 635-654.
- Li, Y., M. Peng and C. Macaulay (2013). ‘Market-political ambidexterity during institutional transitions’, *Strategic Organization*, 11(2), pp. 205-213.
- Li, W., & Zhang, R. (2010). Corporate social responsibility, ownership structure and political interference: Evidence from China. *Journal of Business Ethics*, 96, 631-645.
- Li, J. J., Zhou, K. Z., & Shao, A. T. (2008). Competitive position, managerial ties, and profitability of foreign firms in China: An interactive perspective. *Journal of International Business Studies*, 40(3), 339–352.
- Li, Y. and M. Peng (2008). ‘Developing Theory from Strategic Management Research in China’, *Asia Pacific Journal of Management*, 25, pp. 563–72.
- Liedong, T. A., Ghobadian, A., Rajwani, T., & O’Regan, N. (2015). Toward a view of complementarity: trust and policy influence effects of corporate social

- responsibility and corporate political activity. *Group & Organization Management*, 40(3), 405-427.
- Liu, Y. and Vrontis, D., 2017. Emerging-Market Firms Venturing into Advanced Economies: The Role of Context. *Thunderbird International Business Review*, 59(3), pp.255-261.
- Luo, Y., Shenkar, O., and Nyaw, M.K. (2002). Mitigating liabilities of foreignness: Defensive versus offensive approaches. *Journal of International Management* 8(3), 283–300.
- Lux, S., T. Crook and D. Woehr (2011). ‘Mixing Business With Politics: A Meta-Analysis of the Antecedents and Outcomes of Corporate Political Activity’, *Journal of Management*, 37(1), pp. 223–247.
- Marquis, C., & Raynard, M. (2015). Institutional strategies in emerging markets. *Academy of Management Annals*, 9(1), 291-335.
- Matten, D., & Crane, A. (2005). Corporate citizenship: Toward an extended theoretical conceptualization. *Academy of Management Review*, 30, 166-179. [L]
[SEP]
- Mattingly, J. E. (2007). How to become your own worst adversary: Examining the connection between managerial attributions and organizational relationships with public interest stakeholders. *Journal of Public Affairs*, 7(1), 7–21. [L]
[SEP]
- Mauro, P. (1995). ‘Corruption and Growth’, *The Quarterly Journal of Economics*, 110(3), pp. 681–712.
- McGaughey, S. L., Kumaraswamy, A., & Liesch, P. W. (2016). Institutions, entrepreneurship and co-evolution in international business. *Journal of World Business*, 51(6), 871–881. [L]
[SEP]
- McWilliams, A. and D. Siegel (2001). Corporate Social Responsibility: a Theory of the Firm Perspective. *Academy of Management Review*, 26(1), pp. 117–127.
- Mellahi, K., J. Frynas, D. Siegel, et al. (2016) A Review of the Non-market Strategy Literature: Towards a Multitheoretical Integration. *Journal of Management*.
- Meyer, K. E., & Peng, M. W. (2016). Theoretical foundations of emerging economy business research. *Journal of International Business Studies*, 47(1), 3–22.
- Meznar, M. and D. Nigh (1995). ‘Buffer or Bridge? Environmental and Organizational Determinants of Public Affairs Activities in American Firms’, *The Academy of Management Journal*, 38(4), pp. 975–996.
- Mondejar, P. R., & Zhao, P. H. (2013). Antecedents to government relationship building and the institutional contingencies in a transition economy. *Management International Review*, 53(4): 579–605.
- Okhmatovskiy, I. (2010). ‘Performance Implications of Ties to the Government and SOEs: A Political Embeddedness Perspective’, *Journal of Management Studies*, 47(6), pp. 1020–1047.
- Palazzo, G. and Scherer, A. G. (2006). ‘Corporate legitimacy as deliberation: A communicative framework’. *Journal of Business Ethics*, 66, 71–88.
- Park, B.I., Chidlow, A. and Choi, J. (2014). Corporate social responsibility: Stakeholders influence on MNEs’ activities. *International Business Review*, 23(5), pp.966-980.
- Petrou, A. (2015). ‘Arbitrariness of corruption and foreign affiliate performance: A resource dependence perspective’, *Journal of World Business*, 50(4), pp. 826-837.
- Pisani, N., Kourula, A., Kolk, A., & Meijer, R. (2017). How global is international CSR research? Insights and recommendations from a systematic review. *Journal of World Business*, 52(5), 591-614.

- Preuss, L., Barkemeyer, R., & Glavas, A. (2016). Corporate social responsibility in developing country multinationals: identifying company and country-level influences. *Business Ethics Quarterly*, 26(3), 347-378.
- Puck, J.F., Rogers, H. and Mohr, A.T., 2013. Flying under the radar: Foreign firm visibility and the efficacy of political strategies in emerging economies. *International Business Review*, 22(6), pp.1021-1033.
- Puffer, S. and D. McCarthy (2011). 'Two Decades of Russian Business and Management Research: An Institutional Theory Perspective', *Academy of Management Perspectives*, 25, pp. 21–36.
- Puffer, S., D. McCarthy and M. Boisot (2010). 'Entrepreneurship in Russia and China: The Impact of Formal Institutional Voids', *Entrepreneurship Theory and Practice*, 34(3), pp. 441–467.
- Rajwani, T. and T. Liedong (2015). 'Political activity and firm performance within non-market research: A review and international comparative assessment', *Journal of World Business*, 50(2), pp. 273–283.
- Ray, S. (2008). A case study of Shell at Sakhalin: Having a whale of a time? *Corporate Social Responsibility and Environmental Management*, 15, 173-185. [SEP]
- Reast, J., F. Maon, A. Lindgreen and J. Vanhamme (2013). 'Legitimacy-Seeking Organizational Strategies in Controversial Industries: A Case Study Analysis and a Bidimensional Model', *Journal of Business Ethics*, 118(1), pp. 139–153.
- Regnér, P., & Edman, J. (2014). MNE institutional advantage: How subunits shape, transpose and evade host country institutions. *Journal of International Business Studies*, 45(3), 275–302.
- Rodgers, P. (2006). Understanding regionalism and the politics of identity in Ukraine's Eastern Borderlands. *Nationalities Articles*, 34(2), 157-174.
- Rodriguez, P., Siegel, D. S., Hillman, A., & Eden, L. (2006). Three lenses on the multinational enterprise: Politics, corruption, and corporate social responsibility. *Journal of International Business Studies*, 37(6), 733–746.
- Saka-Helmhout, A., & Geppert, M. (2011). Different forms of agency and institutional influences within multinational enterprises. *Management International Review*, 51(5), 567–592. [SEP]
- Scherer, A.G., Rasche, A., Palazzo, G. and Spicer, A. (2016). Managing for Political Corporate Social Responsibility: New Challenges and Directions for PCSR 2.0. *Journal of Management Studies*, 53(3), pp.273-298.
- Scherer, A. G., Palazzo, G. and Seidl, D. (2013). Managing legitimacy in complex and heterogeneous environments. *Journal of Management Studies*, 50, 259-84.
- Scherer, A. G. and Palazzo, G. (2011). The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of Management Studies*, 48, 899–931.
- Shirodkar, V., & Mohr, A. T. (2015). Resource tangibility and foreign firms' corporate political strategies in emerging economies: evidence from India. *Management International Review*, 55(6), 801-825.
- Silverman, D. (2013). *Doing Qualitative Research: A Practical Handbook*. London: Sage.
- Stevens, C. E., Xie, E., & Peng, M. W. (2016). Toward a legitimacy-based view of political risk: The case of Google and Yahoo in China. *Strategic Management Journal*, 37, 945–963. doi: 10.1002/smj.2369.
- Stevens, C.E., Makarius, E.E. and Mukherjee, D., 2015. It Takes Two to Tango: Signaling Behavioral Intent in Service Multinationals' Foreign Entry Strategies. *Journal of International Management*, 21(3), pp.235-248.

- Stokes, P. and Wall, T. (2014) *Research Methods*. Basingstoke, Palgrave-Macmillan.
- Transparency International. (2015) *Corruption Perceptions Index 2015*. Berlin: Transparency International.
- Tasavori, M., Zaefarian, R., & Ghauri, P. N. (2015). The creation view of opportunities at the base of the pyramid. *Entrepreneurship & Regional Development*, 27(1-2), 106-126.
- UNCTAD, 2014. World Investment Report, Annex Table 26 — Estimated World Inward FDI Flows, by Sector and Industry, 1990–1992 and 2010–2012.
- Welch, C., & Piekkari, R. (2017). How should we (not) judge the ‘quality’ of qualitative research? A re-assessment of current evaluative criteria in International Business. *Journal of World Business*, 52(5), pp.714-725.
- Whittington, R. (2012) ‘Big Strategy/Small Strategy’, *Strategic Organization*, 10(3), 263–268.
- Williams, C.C., Round, J. and Rodgers, P., 2013. *The role of informal economies in the post-Soviet world: The end of transition?*. Routledge.
- Wright, M., I. Filatotchev, R. Hoskisson and M. Peng (2005). Strategy Research in Emerging Economies: Challenging the Conventional Wisdom. *Journal of Management Studies*, 42, pp. 1–33.
- Xu, S., & Yang, R. (2010). Indigenous characteristics of Chinese corporate social responsibility conceptual paradigm. *Journal of Business Ethics*, 93, 321-333.
- Zaheer, S. (1995). Overcoming the liability of foreignness, *Academy of Management Journal*, 38(2), 341–363.
- Zhang, Y., Zhao, W. and Ge, J., 2016. Institutional duality and political strategies of foreign-invested firms in an emerging economy. *Journal of World Business*, 51(3), pp.451-462.

Appendix A

Tables

Interviewee Number	Region	Ownership of MNC	Enterprise
1	Kyiv	Austria	Firm 1 - Logistics
2	Kyiv	Austria	Firm 1 - Logistics
3	Kyiv	Austria	Firm 1 – Logistics
4	Kyiv	France	Firm 2 – Consulting
5	Kyiv	France	Firm 2 – Consulting
6	Kyiv	France	Firm 2 – Consulting
7	Kyiv	Poland	Firm 3 - Retail
8	Kyiv	Poland	Firm 3 - Retail
9	Kyiv	Poland	Firm 3 - Retail
10	Kyiv	Russia	Firm 4 – IT services
11	Kyiv	Russia	Firm 4 – IT services

12	Kyiv	Russia	Firm 4 – IT services
13	L’viv	Romania	Firm 5 – Logistics
14	L’viv	USA	Firm 6 – Logistics
15	L’viv	USA	Firm 6 – Logistics
16	L’viv	Norway	Firm 7 - Telecommunications
17	L’viv	Norway	Firm 7 - Telecommunications
18	L’viv	Norway	Firm 7 - Telecommunications
19	Kharkiv	Russia	Firm 8 – IT services
20	Kharkiv	Russia	Firm 8 – IT services
21	Kharkiv	Russia	Firm 8 – IT services
22	Kharkiv	Turkey	Firm 9 – transportation
23	Kharkiv	Turkey	Firm 9 - transportation
24	Kharkiv	Turkey	Firm 9 - transportation

Table 1: List of Interviewees

Table 2: Interview Questionnaire, frequency and summary of responses

Second order Themes	First order Themes	Frequency of responses (out of 24 respondents)	Respondents	Illustrative quotes
INSTITUTIONAL CONSTRAINTS	<ul style="list-style-type: none"> • Institutional upheaval 	16	1,3,5,6,7,10,11,13,14,15,16,17,19,22,23,24	‘There’s been no order for over two decades’
	<ul style="list-style-type: none"> • Ukraine’s move from a centrally planned command economy to a market economy remains incomplete and chaotic 	13	1,3,6,7,8,10,11,12,15,17,22,23,24	‘We just have chaos and more chaos’
	<ul style="list-style-type: none"> • Corruption is normalized within Ukraine’s business environment 	17	1,2,3,4,5,6,7,8,10,13,14,15,16,17,19,21,24	‘Corruption is a way of life here, it always has been’
STRAINED BUSINESS-STATE RELATIONS	<ul style="list-style-type: none"> • Constant changing of rules 	10	1,3,5,8,11,13,14,16,18,22	‘They change the rules not to improve things but to catch you out’
	<ul style="list-style-type: none"> • Constrains investment 	6	2,4,9,13,19,20	‘There is no point in investing when it can be taken away without discussion’
	<ul style="list-style-type: none"> • Discourages strategic planning 	5	3,7,9,14,20	‘You have to always have some money set aside, not for a rainy day but to pay someone.’

TACTICS TO NAVIGATE INSTITUTIONAL SETTING	<ul style="list-style-type: none"> • Payment of bribes 	10	2,4,6,8,9,10,14,17,19, 22	‘All firms pay bribes here...this is the norm’
	<ul style="list-style-type: none"> • Outsourcing of ‘corrupt’ activities 	12	1,4,6,8,9,10,12,14,18, 19,20,24	‘Consulting firms now act like an informal tax collection service’
	<ul style="list-style-type: none"> • ‘<i>Razpil</i>’ – siphoning using personal contacts 	6	3,8,12,15,18,24	‘These firms exist on paper but in reality they are anonymous.’
	<ul style="list-style-type: none"> • Steering of public policy 	4	5,9,15,17	‘We maintain positive relations with the Ministry... who provide us with the necessary subsidies...’
ROLE OF CPA/CSR ACTIVITIES	<ul style="list-style-type: none"> • Employment of ‘liaison officers’ to gain information about competitors 	8	2,3,5,8,13,15,17,24	‘We employ staff who keep checks on our competitors and gather compromising material’
	<ul style="list-style-type: none"> • Corporate philanthropy – Soviet legacy 	4	1,7,12,19	‘Traditionally large enterprises have looked after their local population’
	<ul style="list-style-type: none"> • Substituting for the state’s responsibilities 	8	1,3,6,10,12,15,22, 24	‘We support financially local services and in return we are left alone’
	<ul style="list-style-type: none"> • Coerced forms of CSR 	12	1,2,4,9,10,12,14,15, 18, 20, 22, 24	‘The state expects you to undertake social responsibilities. It’s not an option in Ukraine’