DOI: 10.1111/emre.70034

RESEARCH ARTICLE

EMR European Management Review

Nonmarket strategies, domestic institutional development, and internationalization: Evidence from MENA and sub-Saharan African regions

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Funding information
This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Abstract

This study examines the impact of the adoption of nonmarket strategies in domestic markets that drive the internationalization of emerging multinationals (EMNCs) from the MENA and sub-Saharan African regions. In this study, we consider corporate political activity (CPA) and corporate social responsibility (CSR) of EMNCs and examine their role in the degree of internationalization. Using data from 219 non-financial multinational firms from 15 countries belonging to the MENA and sub-Saharan African regions for the period from 2012 to 2021, we find a positive effect of CSR (0.84%) and CPA (13.57%) on the degree of internationalization when both strategies are used individually. This effect is stronger when both strategies are used simultaneously (the complementary effect, i.e., 24.86%). Moreover, the individual and complementary effects are more pronounced in the presence of a lower domestic institutional development level. Our study highlights that the adoption of nonmarket strategies domestically helps firms to enhance their internationalization and overcome their liability of origin.

KEYWORDS

corporate political activity, corporate social responsibility, domestic institutional development, internationalization, MENA and sub-Saharan Africa

INTRODUCTION

Recent decades have witnessed an unprecedented growth in the internationalization of firms from less developed economies (Guo & Xie, 2025; Leppäaho et al., 2023). This is evident in the share of global foreign direct investment outflows from emerging economies, which has surged from merely 4.5% in 1990 to 30.76% in 2022 (UNCTAD, 2023). This intriguing growth has prompted international business scholars to examine how emerging market firms venture overseas despite experiencing institutional disadvantages and the severity of domestic institutional voids in home and host markets (Chowdhury et al., 2025; Velez-Ocampo & Gonzalez-Perez, 2022). This scholarly work has evolved into three main dimensions.

A first line of research focuses on firm-specific advantages and examines the firm-related factors that help emerging markets' firms to internationalize (Guo & Xie, 2025; Pereira et al., 2021). It includes family ownership, business group affiliation, state ownership, and skilled human resources. The second stream of studies emphasizes country-specific advantages such as government support, low-cost capital markets, and cheap factor market inputs (Gómez-Mera & Varela, 2024; Nuruzzaman et al., 2020). The third line of studies examines firms' strategies in host markets that help emerging markets' firms to invest and expand their businesses. These strategies include location choice (Lu et al., 2014), mode of entry (Prashantham & Birkinshaw, 2015), and accessing expats' networks (Bai et al., 2021).

An important issue largely ignored in this literature is the role of firms' nonmarket strategies in domestic markets which propel internationalization. Generally, the IB literature considers the engagement of firms in corporate political activity (CPA) and corporate social responsibility (CSR) as nonmarket strategies (An et al., 2024; Saeed et al., 2024a; Saeed et al., 2024b; Winkler & Krzeminska, 2024). Firms are found to use nonmarket strategies to gain access to scarce resources such as bank credit (Fengyan et al., 2022), financial subsidies (He et al., 2007), securing government contracts (Flammer, 2018), obtaining tax breaks (Brown et al., 2015), raising rivals' costs (Saeed et al., 2024a), shaping industry regulations, and navigating trade barriers (Sun et al., 2021). Fundamentally, nonmarket strategies are argued to positively influence firms' reputation, potentially extending beyond borders (Sun et al., 2021). These strategies may offer insights into forthcoming regulatory policies related to international trade agreements and provide protection against regulatory burdens associated with overseas investments (Curchod et al., 2020; Gammeltoft & Panibratov, 2024). The existing studies mainly highlight the importance of engagement of emerging multinationals (EMNCs) in nonmarket strategies in the case of foreign host markets where they suffer from liability of origin and, therefore, adopt these social and political nonmarket strategies for building legitimacy and ensuring their survival by meeting the societal and institutional expectations (Khan et al., 2023; Winkler & Krzeminska, 2024).

This research trajectory mainly focuses on the adoption of nonmarket strategies by firms in host markets where the objective is to overcome the liability of origin and gain legitimacy (Panicker et al., 2024; Saeed et al., 2024b). However, nonmarket strategies also play an important role in domestic markets, where firms use nonmarket strategies to build local legitimacy, navigate institutional challenges, and gain competitive advantage (Winkler & Krzeminska, 2024). This domestic legitimacy serves as a foundation for international expansion, enabling firms to enter smoothly into foreign markets. Despite this, we know little about how nonmarket strategies affect firms' internationalization and what conditions enhance or impair these effects. This gap causes us to ask the following research question: What is the impact of nonmarket strategies in their domestic markets on the internationalization of emerging markets' firms?

Considering the research paucity in the case of the engagement of EMNCs in adopting nonmarket strategies domestically, this study aims to fill this gap by considering the emerging market context of the Middle East and North Africa (MENA) and sub-Saharan African regions. The distinct geopolitical, economic, and cultural dynamics of this region enrich the existing nonmarket strategy research (Adeleye et al., 2020; Boso et al., 2023). Specifically, the MENA region is characterized by complex political systems, which include authoritarian regimes and monarchies (Awdeh & Jomaa, 2024). On the other hand, the CSR practices in the MENA region are largely shaped by Islamic principles that emphasize the value of *zakat* (charity) and *Ihsan* (benevolence). These Islamic principles create a moral framework for businesses where community welfare and philanthropy are regarded as intrinsic responsibilities (Eriqat et al., 2024). Thus, the unique intersection of CSR and religion leads firms in the MENA region to engage in social welfare activities differently from firms in other regions where CSR is mainly driven by global norms and values. Additionally, the post-colonial context of the MENA region adds another layer of complexity that sets it apart from other markets. Nonmarket strategies help MENA firms to navigate the complex historical relationships with Western countries, legacies of colonialism, and regional power dynamics (e.g., Gulf Cooperation Council dominance) by building legitimacy and creating strategic alliances.

Understanding the impact of nonmarket strategies on firms' internationalization is important for three reasons. First, nonmarket strategies are found to confer socio-political legitimacy (Liedong & Frynas, 2018), access to critical resources including preferential financing and information related to incoming trade policies (Claessens et al., 2008; Saeed et al., 2024b), and alleviate regulatory burdens related to trade (Bonardi, 2008; Hadani et al., 2018), all of which may help firms to internationalize. Second, the need for nonmarket strategies for internationalization is particularly important in a weak institutional environment characterized by an underdeveloped regulatory framework, higher market uncertainty, and information asymmetry (Dorobantu et al., 2017; Winkler & Krzeminska, 2024). Against this backdrop, the adoption of nonmarket strategies domestically enables firms to proactively engage with social and political stakeholders to overcome institutional challenges and create a conducive environment for successful internationalization. Third, the outward FDI from the MENA and sub-Saharan African region is showing an increasing trend in recent years, increasing from $0.4 billion to $67 billion during 1991–2021 (UNCTAD, 2023). The recently introduced African Continental Free Trade Area (AfCFTA) Agreement and the launch of the Union for the Mediterranean organization offer significant support and opportunities for African firms to operate internationally (Peprah et al., 2024).

Our research contributes to the international business literature in various ways. First, this study contributes theoretically to the literature related to exploring the determinants of internationalization by conceptualizing the volunteer adoption of CSR and CPA as nonmarket strategies in domestic markets to enhance internationalization in the context of less developed regions (Adomako et al., 2023). Prior studies focused on other firm-level determinants, for instance, domestic institutional reforms (Baloch et al., 2018), asset and resource seeking motives (Faeth, 2009), and foreign market knowledge and locational choices (Jiang et al., 2020). Second, we show how CSR and CPA separately and combined contribute to firm internationalization. Our findings confirm that complementarities may exist between the firm resources that are produced through adopting CSR and CPA strategies. It is noteworthy that CSR and CPA have been studied in silos; hence, there is limited knowledge on the combined effect on corporate outcomes (Adomako et al., 2023; Li et al., 2024; Winkler & Krzeminska, 2024).

Third, we identify domestic institutional development level as a boundary condition that increases the independent and combined effects of CSR and CPA on the degree of internationalization. Lastly, this study contributes to the extant literature by focusing on the developing context, particularly examining the internationalization dynamics of MENA and sub-Saharan African regions where firms face distinctive challenges (Al-Kwifi et al., 2020; Meouloud et al., 2019). Prior studies mainly discussed these regions in terms of receiving foreign direct investment, for instance, Dimitrova et al. (2020), Koku and Farha (2020), and Mellahi et al. (2011) while little attention is paid to exploring the determinants of the degree of internationalization of EMNCs from MENA and sub-Saharan African regions.

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Internationalization dynamics of EMNCs

Since the last two decades, emerging multinationals are growing rapidly despite facing institutional voids locally and liabilities of origin internationally. Some studies explain the existence of these EMNCs by their thirst to gain resources that ensure a competitive edge and improved performance (Gammeltoft & Panibratov, 2024; Kim et al., 2020) while others describe it as exploitation of weak institutions in the host markets (Cuervo-Cazurra & Genc, 2015). However, what differentiates the EMNCs from their counterparts, especially from the developed markets, is the distinct institutional landscape in which they are embedded: poor institutional and governance mechanisms, higher levels of corruption and political uncertainty, and imperfect capital markets (Adeleye et al., 2020; Adomako et al., 2023; Cuervo-Cazurra & Genc, 2015). This literature mainly relies on institutional theory (North, 1990) and the resource-based view of internationalization (Barney, 1991) when discussing the internationalization dynamics of EMNCs from the less developed markets.

The internationalization of EMNCs can be a reaction to the institutional context, whether in the host country (Feinberg & Gupta, 2009) or the home country (Shirodkar et al., 2024). Institutions have a prominent and crucial role in shaping the firms' transaction costs and performance and survival-related outcomes (North, 1990). North (1990) describes institutions as "the rule of the game" as these emanate from societal and political norms, governance structures, law enforcement, and regulations. In less developed parts of the world, the poor institutional mechanism exists in the shape of the existence of imperfect capital markets, high levels of corruption, and high political uncertainty (Palepu & Khanna, 1998). These institutional voids are considered an opportunity for developed firms to exploit these for their own good but a setback for the domestic EMNCs, forcing them to develop nonmarket capabilities that substitute for missing formal institutions (Gammeltoft & Panibratov, 2024; Liedong et al., 2020).

So, institutional underdevelopment creates an escapism that causes the internationalization of emerging firms to gain access to scarce resources to ensure the competitive edge in the local and international market (Baloch et al., 2018; Doh et al., 2017). Importantly, the substitution logic provides a crucial link between institutional theory and the resource-based view. Under weak institutional conditions, EMNCs do not merely escape inefficiencies; they learn to compensate for institutional weaknesses by investing in legitimacy-enhancing and risk-mitigating strategies (Palepu & Khanna, 1998). Corporate social responsibility (CSR) becomes a mechanism through which firms build trust and moral legitimacy among domestic and foreign stakeholders, signaling credibility in the absence of robust institutional guarantees (An et al., 2024; Saeed et al., 2024a, 2024b). By contrast, corporate political activity (CPA) functions as a mechanism of influence and protection, enabling firms to navigate regulatory uncertainty, access information, and mitigate policy risks (Winkler & Krzeminska, 2024). Thus, CSR and CPA operate as context-sensitive capabilities that help EMNCs overcome both institutional voids at home and the liability of origin abroad.

From a theoretical standpoint, this integration suggests that institutional underdevelopment does not simply constrain EMNCs but shapes the evolution of their nonmarket strategies. Weak institutions create conditions where social and political capital substitute for formal market-supporting institutions (Doh et al., 2017). As a result, CSR and CPA become not just optional reputational tools but essential strategic resources that underpin internationalization. The causal mechanism is therefore twofold: CSR enhances legitimacy-based access to external markets and partnerships, while CPA reduces uncertainty by forging ties with regulatory actors—together, these mechanisms facilitate the outward expansion of EMNCs (Bonardi, 2008; Hadani et al., 2018).

In addition to the institutional perspective, scholarly work has paid much attention to the resource-based view as internal and external resources are critical for a firm's survival. Barney (1991) and Hitt et al. (2006) argue that it is important to have the right resources to expand the business and maintain it by ensuring the competitive advantages. The RBV considers resources as intangible, unidentical, and hard to replicate (Arbelo et al., 2024). Multinationals develop heterogeneous, rare, valuable, and inimitable capabilities, adapting them to institutional requirements that can be applied in local and foreign markets to ensure their competitive advantage and survival (Barney, 1991; Gammeltoft & Panibratov, 2024; Hitt et al., 2006). RBV theory has been mainly used to study firm characteristics and performance (Beamish & Chakravarty, 2021) and has usually been combined with other theories like agency theory and stakeholder theory (Dai et al., 2017). However, its combination with institutional theory is particularly illuminating in emerging markets, where institutional weaknesses heighten the strategic value of nonmarket resources. When formal institutions fail to provide predictability, relational and reputational capital—developed through CSR and CPA—become core components of a firm's resource bundle, enabling internationalization despite structural disadvantages. In this sense, the institutional environment does not merely moderate the relationship between CSR/CPA and internationalization—it defines the very mechanism through which these nonmarket strategies transform into strategic resources. CSR builds external legitimacy and moral approval that substitute for the absence of institutional trust, while CPA provides political access that substitutes for the absence of transparent governance.

Together, they form an adaptive bundle of nonmarket capabilities that explains why EMNCs, despite operating in fragile institutional contexts, can still internationalize successfully (Li et al., 2024; Winkler & Krzeminska, 2024). Nonetheless, it is worthwhile to focus on RBV by combining it with institutional theory in the case of less developed contexts, such as MENA and sub-Saharan Africa regions, where resource creation and maintaining it is difficult, and the existence of institutional voids makes it challenging for the EMNCs to use nonmarket strategies. The adopted non-market strategies, CSR and CPA require quite an important allocation of resources whether implemented individually or simultaneously (An et al., 2024). Specifically, if the motive behind these NMS is long-term goals, such as legitimacy creation, internationalization, and gaining competitive advantages, then it is worthwhile to invest in.

Importance of nonmarket strategies and the internationalization of EMNCs

Nonmarket strategy is considered a set of social, environmental, and political norms adopted by a firm to satisfy the stakeholders' needs and influence the external environment for its own good (Dorobantu et al., 2017; Winkler & Krzeminska, 2024). The scope of non-market strategies literature mainly focuses on the engagement of a firm in either CSR or CPA to achieve its strategic goals (Guo & Xie, 2025; Liedong et al., 2017). Corporate social responsibility research has long been investigated to assess its impact on firm performance and gain legitimacy in host and home markets to ensure the smooth working of the business (Flammer, 2013). The corporate engagement in CSR activities serves as a strategic asset that offers the focal firms a bridging strategy that helps them to protect against institutional hostile reactions and meet the stakeholders' demands (Winkler & Krzeminska, 2024).

The adoption of CSR by EMNCs in the developed context is largely considered but why EMNCs get engaged in CSR in their home country is largely overlooked in the IB literature (Bhatia & Makkar, 2020). CSR is a strategic practice commonly used by EMNCs in developed markets to demonstrate the alignment of their practices with the international standards of the foreign market (Guo & Xie, 2025). The use of this valuable resource in regions characterized by institutional voids serves as an effective remedy for navigating the complexities arising from such environments (Marquis & Qian, 2014). CSR is a voluntary-focused strategy considered an investment with sunk costs and targets the needs of stakeholders. Also, CSR is a strategy to engage with stakeholders and craft a legitimate image in the local community as a goodwill sign that legitimizes the entrance of the firm to a new market, therefore limiting the liability of origin effect on the internationalization (Mazboudi et al., 2020). In other words, in an institutionally underdeveloped context, the firm endures a nonmarket strategy in the shape of CSR to overcome resource scarcity and therefore achieve the competitive edge (Marano et al., 2017).

Adopting CSR helps firms build legitimacy in the home market, which in turn facilitates internationalization by carrying this positive reputation into foreign markets. Hence, adopting CSR guarantees competitive advantage by reducing the economic and political risks and image building through reporting and advertising their CSR (Kim & Yang, 2009), which results in increased internationalization. CSR also helps MENA firms to overcome the legitimacy challenges associated with the region, such as human rights concerns, environmental issues, and labor rights. The unique CSR practices ingrained in local social and religious values enable MENA firms to mitigate these concerns and help them to overcome the market entry barriers by making them more attractive internationally. In a notable example, Emirates Airlines' fuel-efficient aircraft helped in reducing the carbon footprints which facilitated their global expansion (Nataraja, 2024). Similarly, Aramco's "Citizenship Program" focusing on local community education helped them to build local legitimacy that transcended across the borders and facilitated it in establishing an international presence (Albalwi et al., 2023).

Another important strand of the nonmarket strategy is the engagement of the firm in the CPA to gain favorable institutional support (Mellahi et al., 2016). CPA plays a crucial and focused effect on firms in a weak institutional environment as the CPA can be used to shape the institutions, laws, and norms and ensure preferable treatment and allocation of incentives (Li et al., 2015; Saeed et al., 2024a). In emerging economies, CPA is a valuable and rare resource that firms depend on to alter the market and institutions to their advantage. Similarly, overcoming information asymmetry and high transaction costs relies on political connections (Velez-Ocampo & Gonzalez-Perez, 2022).

Drawing on RBV, considering CPA a strategic resource, a firm's engagement in CPA in an environment where markets are not functioning optimally, and the institutional voids exist rigorously facilitates it in accessing critical resources that are necessary for improved performance and firm survival (Richter & Kapteina, 2023; Saeed et al., 2024a). CPA serves as an adaptive mechanism through which firms acquire the legitimacy and political access that substitute for formal market-supporting institutions. In contexts where regulatory frameworks are weak and transaction costs are high, political connections become quasi-institutional resources that allow firms to stabilize expectations and secure predictable access to key inputs (Mellahi et al., 2016; Rajwani & Liedong, 2015). Hillman et al. (2004) consider the CPA a strategic asset that helps focal firms to obtain their strategic goals as it ensures the smooth access to key resources and lends the legislative and institutional support. Theoretically, CPA operates as a risk-mitigation and uncertainty-reduction mechanism. By developing ties with political elites and regulatory actors, firms can reduce information asymmetries, anticipate policy shifts, and influence rule-making processes that directly affect their strategic positioning. By utilizing political connections, firms can lower the costs associated with legal disputes, regulatory compliance, and policy uncertainty.

In our context, MENA firms operate in an environment characterized by higher political instability, intense government interference, and opaque regulations. Here, formal institutions often fail to provide consistent enforcement or policy continuity, compelling firms to rely on political capital as an alternative coordination mechanism. CPA, therefore, does not merely reflect opportunistic rent-seeking behavior but functions as a capability that substitutes for weak governance systems, transforming political ties into valuable firm-specific assets. CPA helps firms to navigate these challenges by establishing strong relationships with local state officials, which helps them to build political capital and thereby facilitate entering international markets. Anecdotal evidence shows that Emaar's, a leading real estate developer of the UAE, close relationships with government officials helped the firm secure key projects and favorable regulatory conditions in India and Egypt (Koelemaij, 2022). Likewise, the political connections of Orascom Construction, the largest Egyptian construction firm, helped the firm navigate complex regulatory landscapes in politically volatile Algeria and Iraq to secure large contracts (Adly, 2017). These cases underscore how, in the absence of transparent market institutions, CPA acts as a strategic bridge between firm capabilities and institutional structures, transforming uncertainty into opportunity and enabling EMNCs to internationalize despite fragile governance systems. Based on the above arguments and anecdotal evidence, this study anticipates that the adoption of CSR and CPA individually as a nonmarket strategy in the home market positively influences the degree of internationalization of EMNCs belonging to MENA and sub-Saharan African regions. Therefore, the hypotheses are as follows:

> **H1.** CSR increases the degree of internationalization.

> **H2.** CPA increases the degree of internationalization.

In IB literature, largely CSR and CPA are framed separately because of their distinctive effect on the same outcome with no linkages whatsoever (Frynas et al., 2017; Liedong et al., 2017; Saeed et al., 2024a). Nevertheless, the recent development in nonmarket strategy literature pays attention to their complementary effect and suggest that this can improve the economic benefit significantly (Frynas et al., 2017; Liedong et al., 2017). In this regard, Frynas et al. (2017) urge the need to determine the complementary effect by combining the social and political domain of nonmarket strategy to better understand its substitution effect. Still, there exist the literature paucity to understand the basic mechanism of the complimentary effect (Liedong et al., 2017).

Ideally, combining these types of strategies may ensure a competitive advantage through resource creation as CSR allows interaction with a versatile set of stakeholders enabling firms to acquire specialized support and through CPA; the corporate board ensures the regulatory favors and smooth access to scarce resources owned by the government (Yaziji, 2004). EMNCs' engagement in both strategies simultaneously can prove a leveraging effect on legitimacy and corporate reputation in home and host countries (Liedong et al., 2017). In the presence of CPA, firms' political linkages can help firms to communicate and magnify their CSR activities to politicians, which, in turn, help them to gain political legitimacy more easily (Peterson & Pfitzer, 2008). Similarly, the information firms gain through political linkages helps them to select the CSR activities that are most desirable to politicians (as politicians also pursue such social activities that help them to build their voters' base) (Adomako et al., 2023). In emerging markets, however, the effectiveness of such strategic complementarities is conditioned by the institutional context.

In regions such as MENA and sub-Saharan Africa (SSA), characterized by institutional frictions, regulatory uncertainty, and relational forms of governance, firms cannot rely solely on formal institutions to secure legitimacy or resources (Khanna & Palepu, 2000). Instead, they draw on nonmarket strategies such as CSR and CPA to fill institutional voids and substitute for absent market-supporting mechanisms. In MENA economies, where state–business ties are often politicized, CPA becomes a vital conduit for navigating regulatory uncertainty, while CSR serves as a moral and social signal to gain societal trust. In contrast, in SSA contexts, where relational governance and informal norms dominate, CSR functions as a relational currency that strengthens social embeddedness, and CPA facilitates access to critical policy information and public–private partnerships. In fact, CSR strategic engagement is a good will flag that enhances legitimacy; however, the implementation is not a ready-to-go process. It is a well-tailored strategy where the political network (CPA) presents an exclusive source for valuable information that may enhance the fitting of the strategy in the domestic and host context (Liedong et al., 2020). This information may include the current social needs, how to best implement, to whom it may concern, and the regulations change. Therefore, the simultaneous adoption of CSR and CPA helps EMNCs to prepare well for the dynamic social and political changes and enhance their performance (Mellahi et al., 2016). Thus, the interaction between CSR and CPA is not uniform across regions—it is shaped by how institutional voids and governance logics differ between MENA and SSA. By theorizing this variation, our framework moves beyond descriptive contextualization to explain why and how institutional frictions and relational governance moderate the CSR–CPA–internationalization nexus in emerging markets, offering broader theoretical portability.

CSR related literature supports the fact that shareholders' trust and connections of the firm within its community can be a crucial insight for politicians to align their electoral programs towards community needs (Gammeltoft & Panibratov, 2024). CSR engagement reduces the tension between institutional regulators and the firm by reducing institutional burden and helping the firm to enhance their relationship with the external stakeholders, especially public institutions (Den Hond et al., 2014). The complementarity effect can be seen as the dual legitimacy win for the firm offering both the political legitimacy and the social legitimacy. EMNCs from MENA and sub-Saharan African regions are under high scrutiny from the key stakeholders, especially investors and the public, due to their newness at the international stage (Gómez-Bolaños et al., 2020). The bridging mechanism of CSR and the buffering mechanism of CPA bring valuable resources that are specific to the firm in terms of its interchangeable complementarity assuring competitive advantage on the international arena. Hence, based on the above arguments, we anticipate a positive complementary effect of CSR and CPA on the degree of internationalization of EMNCs.

Our hypothesis is as follows:

> **H3.** The simultaneous usage of CSR and CPA has a positive effect on the degree of internationalization.

Low institutional development and nonmarket strategies

Thus far, our discussion related to institutions focuses on creating an escapism effect on corporations based on the level of development (Cuervo-Cazurra, 2012). Low institutional development is a central force for local corporations to explore alternative environments for their optimal functioning (Boisot & Meyer, 2008). Development of institutions can be defined as the degree to which social, political, financial and economic institutions are developed and favorable for firms operating in such environments (Chan et al., 2008). The poor economic, social, political and financial institutions indicate the lower institutional development level and therefore offer little to domestic firms in terms of providing resources and a favorable environment, which ensures their growth (Khanna & Palepu, 2000). When institutions are underdeveloped, firms need additional efforts/strategies/actions to mitigate or exploit such market failures for their benefits and survival (Saeed et al., 2024a). As the institutional development and economic performance are highly linked, therefore, the choice of strategic corporate actions is directly correlated with the context where firms operate (Winkler & Krzeminska, 2024).

The volunteer adoption of CSR in weak developing institutions that lack the enforcement and regulation for socially responsible investments (Khan et al., 2020; Li et al., 2010) helps these align their practices with the expectations of stakeholders. Simultaneously, the local institutional stakeholders view the firm's CSR initiative as a corporate effort to fill the local institutional gap rather than exploiting it. Adopting CSR in lower institutional development contexts indicates firms' efforts to address sustainability concerns and promote social norms and values (Wood, 2010). In such contexts, engagement in CSR initiatives indicates the goodwill of firms in identifying the priorities where, in general, these countries are lacking. It helps these firms to get much-needed institutional support and favorable treatment as compared to their domestic rivals which is important for their survival and growth (Adomako et al., 2023). Therefore, the adoption of CSR in a low institutional development context facilitates the internationalization of the EMNCs.

EMNCs also benefit from their active political influence that underpins their internationalization motives via gaining preferential treatment, accessing resources needed for their internationalization, and obtaining valuable information in case of operating in a low institutional development level (Adomako et al., 2023). The low institutional development provides fertile ground for the EMNC where it can utilize its CPA resources for its strategic benefit by building links and networks with the government, politicians, and public position holders (Liedong, 2021). The political connections are not only useful in case of a strong institutional setup but also in a weak institutional development level where firms mainly rely on politicians' actions and policies; it ensures corporate access to key resources and favorable treatment (Saeed et al., 2024a). Further, the simultaneous engagement of EMNCs in social and political initiatives helps them to forge fruitful engagement with key stakeholders particularly in case of an institutional setup where low institutional development is prominent, and firms cannot address social needs and issues easily (Friedman, 2007). An institutional-based view argues that institutional setup and its quality always dictate firms regarding shaping their actions and strategies that ensure their survival and success (Qi et al., 2020). Under such institutional context, CPA indicates the political intelligence of these EMNCs where they promote and identify social initiatives and priorities among many other options, and hence, the resources gained through political initiatives strengthen the efficacy of their social investments as this self-engagement helps EMNCs in signaling legitimacy in home and host markets (Du et al., 2019).

Based on the above arguments, we argue that low institutional development creates a context that extends the individual and complementarity effect of CPA and CSR and further strengthens their positive effect, leading to an enhanced degree of internationalization. Therefore, we hypothesize the following based on our arguments:

> **H4.** Low institutional development strengthens (positively moderates) the positive relationship between CSR (CPA) and the degree of internationalization.

> **H5.** Low institutional development strengthens (positively moderates) the positive relationship between the simultaneous usage of CSR and CPA and the degree of internationalization.

DATA AND METHODOLOGY

Sample

The focus of this study is on nonfinancial emerging multinationals from sub-Saharan Africa and MENA regions. This region is showing a significant increase in OFDI in recent years as its global share in terms of OFDI has increased up to $67 billion (UNCTAD, 2023). The countries are taking significant measures, for instance, the African Continental Free Trade Agreement, African Growth and Opportunity Act, Greater Arab Free Trade Area Agreement, and so forth, to enhance their global trade share and activities. We consider 15 countries[1] belonging to these regions as their firms are involved in the internationalization activities. We start the sample period from 2012 and consider the sample period from 2012 to 2021 due to data availability issues.

We start the process of sample selection by searching for multinationals from these 15 countries belonging to the MENA and sub-Saharan Africa regions. We consider a firm's involvement in internationalization activities if it has either a foreign subsidiary, foreign assets, or foreign revenues and selects multinationals only due to the scope of this study. Second, we consider firms belonging to the non-financial sectors. Third, our focus is only on publicly listed firms as they offer accurate and transparent information for the analysis (Feng et al., 2022). Due to this selection process, we select 219 publicly listed multinationals belonging to non-financial sectors. Table 1 is showing the sample distribution across countries. The required data is mainly extracted from Bloomberg, Thomson Reuters, World Government Indicators, and firms' annual reports. The information related to the CSR, financials, and non-financials is mainly extracted from the Refinitiv Peer view platform in Thomson Reuters and CSR annual reports. For the institutional development index, we have used the global competitive index from the World Economic Forum reports.

TABLE 1 Sample distribution.

Country	Firms
United Arab Emirates	9
Bahrain	1
Egypt	11
Israel	28
Jordan	1
Kenya	1
Kuwait	6
Morocco	1
Nigeria	1
Oman	1
Qatar	16
Saudi Arabia	16
Turkey	36
South Africa	90
Zimbabwe	1
Total	**219**

[1]Including Bahrain, Egypt, Israel, Jordan, Kenya, Kuwait, Morocco, Nigeria, Oman, Qatar, Saudi Arabia, South Africa, Turkey, United Emirates, and Zimbabwe.

Variables measurement

Dependent variable

The degree of internationalization (*DOI*) is the dependent variable that indicates the extent to which the firm is internationalized. In this study, we measure *DOI* as a combination of three ratios following Dörrenbächer (2000), Ietto-Gillies (1998), and Sullivan (1994) rather than only focusing on the single aspect. Our degree of internationalization is the sum of the foreign assets to total assets, foreign sales to total sales, and foreign subsidiaries to total subsidiaries.

Independent variables

To measure the effect of the adoption of nonmarket strategies in home countries on EMNCs' *DOI*, our key independent variables are corporate social responsibility (*CSR*) and corporate political activity (*CPA*) as nonmarket strategies. We measure CSR in the home country using the ESG-based CSR index score as it captures the outcomes of the firm's CSR engagement in a better way (Gillan et al., 2021; Yoon et al., 2018). We recognize the conceptual distinction between CSR and ESG: CSR reflects a firm's voluntary, stakeholder-oriented actions aimed at fulfilling ethical, social, and community responsibilities, whereas ESG represents a measurable framework that quantifies a firm's performance along environmental, social, and governance dimensions. In this study, our theoretical focus remains on CSR as a nonmarket strategy that builds legitimacy and strengthens stakeholder trust; however, we operationalize it through ESG indicators, specifically by using the sub-components that reflect stakeholder- and community-related activities rather than purely environmental metrics.

This approach ensures that our empirical measure is conceptually consistent with the theoretical construct of CSR. To maintain conceptual coherence, we draw primarily on the social and governance sub-dimensions—those that capture employee relations, community engagement, diversity initiatives, and ethical management practices—which are central to CSR behavior. Theoretically, this approach aligns with recent literature that views ESG data as a systematic and quantifiable reflection of CSR outcomes (Gillan et al., 2021; Yoon et al., 2018). In institutionally weak contexts, such as those in which EMNCs operate, CSR actions often translate into measurable ESG outcomes that enhance firms' legitimacy at home and abroad (Eriqat et al., 2024). Hence, the ESG-based CSR measure allows us to capture the multidimensional and externally verifiable aspects of firms' stakeholder-oriented engagement. CSR summary score assesses the firm's environmental efforts; the governance score refers to the responsibilities attributed to the management, and the social score examines the community and stakeholders' relations, employment quality, and other norms.

TABLE 2 Variable definitions.

Variables	Acronyms	Definitions
Degree of internationalization	*DOI*	Sum of the foreign assets to total assets, foreign sales to total sales, and foreign subsidiaries to total subsidiaries.
Corporate social responsibility	*CSR*	Use the ESG summary score.
Corporate political activity	*CPA*	Dichotomous variable that takes one if the board members had occupied previously or currently occupying a political, public administration, syndicate, or other related positions or a zero if not.
Domestic institutional development level	*Inst_Dev*	Use Global Competitive Index (GCI) from World Economic Forum to measure it.
Market concentration	*Market_conc*	Use the Herfindahl–Hirschman index (HH index) of trade market concentration by following Li et al. (2008).
Leverage	*LEV*	Debt-to-equity ratio
Return on assets	*ROA*	Net income divided by total assets
Firm size	*Size*	Natural log of total assets
Board size	*Board_size*	Number of total board members
Exchange rate	*ER*	Real annual exchange rate

The *CPA* refers to the firm's political engagement in the home country to shape the policies and policymakers for their advantages (Getz, 1997). We follow Fan et al. (2007) and Li et al. (2015) to determine the *CPA*. We delve individually into executive board biography summaries, using Thomson Reuters and annual reports to determine whether board members had occupied previously or are currently occupying a political, public administration, syndicate, or other related positions or not. Therefore, *CPA* is a dichotomous variable that takes one if the board members had/have this profile or zero if not. To capture the complementarity effect (*CSR_CPA*), we introduced the interaction terms of both variables to determine the effect of simultaneous usage of *CSR* and *CPA*.

To determine the moderation effect of the domestic institutional development level, we use the Global Competitive Index (GCI) from the World Economic Forum to measure it (Deephouse et al., 2016; Fang et al., 2013). This index covers different aspects of national institutions that indicate the level of development. The index is an average of 12 pillars, including legal and administrative quality, financial market development, infrastructure, education, health, technology, innovation, market size, business environment, and labor market efficiency. The global competitiveness index misses some observations from the last 3 years.

Control variables

We incorporate a variety of firm and country-level control variables. Specifically, the financial market variable, namely, the real annual exchange rate (*ER*), is considered to capture the firms' exposure to the systematic risk by following Reeb et al. (1998). Considering the competitiveness intensity, we used the Herfindahl–Hirschman index (HH index) of trade market concentration (*Market_conc*) by following Li et al. (2008). The firm-level controls include board size (*Board_size*) as the number of directors, firm size (*Size*) as the log of total assets, performance (*ROA*) as return on assets, and leverage (*LEV*) as the debt-to-equity ratio. Table 2 contains the definitions of all included variables.

Empirical strategy

To analyze the nonmarket determinants of internationalization of EMNCs from sub-Saharan African and MENA regions, we use the two-step system GMM with hierarchical linear processing modeling. Two-step system GMM is considered a remedy for various econometric potential problems arising from the data structure and dynamics of the empirical model particularly in the case of panel data (Baloch et al., 2018). For instance, potential endogeneity and autoregressive problems may exist due to the inclusion of the lagged dependent variable in the empirical model (Wintoki et al., 2012). The potential problem of heteroscedasticity may result from the data's nature and the sample's variation. Consequently, the usage of two-step system GMM is the appropriate estimation technique as this method not only addresses endogeneity and heteroscedasticity but also effectively controls for time-invariant unobserved heterogeneity through the inclusion of country and time fixed effects (Baloch et al., 2018; Wintoki et al., 2012).

Similarly, all explanatory variables are included as 1-period lagged in the empirical model. Additionally, the estimator combines the regression in levels with the regression in first difference in a system that improves its efficiency in the estimation (Blundell & Bond, 1998). Furthermore, to ensure the validity and robustness of our instruments, we report the Hansen test for over-identifying restrictions and the Arellano–Bond test for serial correlation. The non-significance of the Hansen test and the absence of second-order serial correlation confirm that our instruments are valid, and the model is well-specified. Together, these diagnostic checks enhance the credibility of our estimation strategy and align with the best practices recommended in recent empirical corporate governance and finance research (e.g., Baloch et al., 2018; Blundell & Bond, 1998).

TABLE 3 Descriptive statistics.

Variable	Obs	Mean	Std. Dev.	Min	Max
DOI	2181	0.758	0.635	0.000	2.796
CSR	2187	31.793	27.235	0.000	94.305
CPA	2187	0.562	0.496	0.000	1.000
Inst_Dev	1532	4.575	0.421	3.264	5.382
Board_size	2187	7.661	5.476	6.000	28.000
Size	2176	7.796	2.746	0.788	24.214
ROA	2187	0.064	0.105	−0.444	1.254
LEV	2183	1.056	4.776	0.000	17.133
Market_conc	2186	0.055	0.053	0.032	0.247
ER	2190	0.743	1.262	0.003	3.887

RESULTS AND DISCUSSION

Descriptives and correlation

Table 3 illustrates the descriptive statistics of our main variables of interest in terms of number of total observations, means, standard deviations, minimum, and maximum values. The mean value of *CSR* is 31.762, indicating a significant involvement of sample firms in CSR initiatives. The mean value of *CPA* is 0.56, showing almost 123 EMNCs are involved in CPA. The standard deviation and the average values are close, suggesting that our financial data is standardized.

Table 4 presents the correlation values of variables of interest included in our empirical model. All values are minimum than 0.70, therefore, we can conclude the absence of potential multicollinearity problem in our empirical model.

Regression result and discussion

Table 5 reports the regression output of system GMM in a hierarchical linear way. In the first column of Table 5, the coefficient of *CSR* is positive and significant at a 5% level, implying that the adoption of CSR as a nonmarket strategy significantly enhances the *DOI* of EMNCs. Specifically, the one unit increase in *CSR* can lead to an increase in degree of internationalization by 0.84%.[2] This finding supports our first hypothesis (H1); that is, CSR increases the degree of internationalization and is consistent with

[2]We follow Athreye et al. (2021) and calculate this value as beta coefficient of independent variable × (mean of independent variable/mean of dependent variable)

TABLE 4 Correlations.

Variables	1	2	3	4	5	6	7	8	9	10	11	12
1. *DOI*	1											
2. *lagDoi*	0.46	1										
3. *CSR*	0.14	0.13	1									
4. *CPA*	0.04	0.03	0.01	1								
5. *CSR_CPA*	0.10	0.08	0.50	0.41	1							
6. *Inst_Dev*	0.15	0.15	−0.27	0.02	−0.13	1						
7. *Board_size*	0.06	0.05	0.46	−0.02	0.38	−0.16	1					
8. *Size*	0.06	0.05	0.06	0.19	0.11	0.16	0.10	1				
9. *ROA*	0.01	0.00	−0.04	−0.09	−0.05	0.08	−0.06	−0.12	1			
10. *LEV*	0.01	0.00	0.00	−0.02	−0.03	0.05	0.02	0.01	−0.04	1		
11. *Market_conc*	0.04	0.04	−0.25	−0.03	−0.17	0.37	−0.20	−0.02	0.13	−0.03	1	
12. *ER*	0.31	0.31	−0.23	−0.01	−0.10	0.62	−0.27	−0.14	0.14	−0.06	0.24	1

Shirodkar and Shete (2021). This highlights that maintaining strong relationships with domestic stakeholders through CSR is crucial for a firm's survival, securing local support and mitigating the liability of origin when operating in developed markets (Marano et al., 2017). Similarly, the intensity of domestic CSR ensures the reputational asset for the focal firms, which these EMNCs can leverage across borders to broaden the scope of their internationalization (Shirodkar & Shete, 2021).

In column 1, the coefficient of *CPA* is positive and significant at a 5% level, inferring that the adoption of corporate political activity as a nonmarket strategy increases the *DOI* significantly. Specifically, the one unit increase in *CPA* can lead to an increase in the degree of internationalization by 13.57%. This finding lends support to our second hypothesis (H2); that is, CPA increases the degree of internationalization and is also consistent with the findings of Li et al. (2021) and Adomako et al. (2023). This finding supports the theoretical notion that using CPA domestically as a nonmarket strategy helps EMNCs to gain access to critical resources, institutional support, and preferential treatment, which ultimately increases their competitiveness and the degree of internationalization (Shirodkar et al., 2022). Therefore, these findings support the first two hypotheses related to the usage of *CSR* and *CPA* individually as a nonmarket strategy by EMNCs to enhance their degree of internationalization.

In the second column, we have included the interaction term (*CSR_CPA*) of *CSR* and *CPA* to determine the complementary effect of using both strategies simultaneously. The coefficient of *CSR_CPA* is positive and significant at the level of 1%. Explicitly, a 1 unit increase in the simultaneous adoption of *CSR* and *CPA* can lead to an increase in the degree of internationalization by 24.86%. This finding supports our third hypothesis (H3), stating that the simultaneous usage of CSR and CPA has a positive effect on the degree of internationalization. This finding lends support to the theoretical notion of comparative advantage and legitimacy identified by Adomako et al. (2023). The simultaneous adoption of *CSR* and *CPA* domestically helps EMNCs to create the desirable corporate profile while overcoming the strategic shortcomings of adopting these nonmarket strategies individually (Liedong et al., 2020).

To determine the moderation effect of domestic low institutional development level, in the third and fourth columns, we have included the individual (low institutional development index—*Inst_Dev*) term and the interaction terms of low institutional development and CSR (*Inst_Dev* × *CSR*) and low institutional development and CPA (*Inst_Dev* × *CSR*), respectively. In both columns, the low institutional development index coefficient (*Inst_Dev*) is positive and statistically significant. Similarly, the coefficients of both interaction terms (*Inst_Dev* × *CSR* and *Inst_Dev* × *CSR*) are positive and statistically significant at the 1% level. These findings are consistent with Khan et al. (2020) and Li et al. (2010) and support the fourth hypothesis (H4), indicating that low domestic institutional development strengthens (positively moderates) the positive relationship between CSR (CPA) and the degree of internationalization. EMNCs exploit the domestic low institutional development level (existence of institutional voids) by using CSR and CPA individually to gain favorable social and institutional support to enhance their internationalization (Abrahms et al., 2023; Adomako et al., 2023).

In the fifth column, we included an interaction term (*Inst_Dev* × *CSR_CPA*) determining the interaction between the low institutional development level and the complementary effect of using both nonmarket strategies simultaneously. The coefficient (*Inst_Dev* × *CSR_CPA*) is positive and significant at the level of 1%. This finding

TABLE 5 Main regression results.

Variables	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model
$DOI_{t-1,i}$	0.8850***	0.8870***	0.6420***	0.1110***	0.6310***
	(0.0357)	(0.0221)	(0.0121)	(0.0144)	(0.0216)
$CSR_{t-1,i}$	0.0002**	0.00004*	0.0002***	0.0018***	0.0400***
	(0.0001)	(0.00002)	(0.0001)	(0.0005)	(0.0052)
$CPA_{t-1,i}$	0.1830**	0.20500***	0.3280**	2.8640***	2.2440***
	(0.0880)	(0.0580)	(0.1370)	(0.5610)	(0.4970)
$CSR\_CPA_{t-1,i}$		0.0024***	0.0014**	0.0063***	0.0318**
		(0.0005)	(0.0006)	(0.0016)	(0.0135)
$Inst\_Dev_{t-1,c}$			0.0871***	0.2250***	0.4080***
			(0.0282)	(0.0644)	(0.0545)
$Inst\_Dev_{t-1,c} \times CSR_{t-1,i}$				0.0003***	0.0099***
				(0.0001)	(0.0012)
$Inst\_Dev_{t-1,c} \times CPA_{t-1,i}$				0.8910***	0.7080***
				(0.1140)	(0.1080)
$Inst\_Dev_{t-1,c} \times CSR\_CPA_{t-1,i}$					0.0090***
					(0.0030)
$Market\_conc_{t-1,c}$	0.3070	0.9050***	0.5130***	0.2680***	0.3670***
	(0.2600)	(0.2520)	(0.0976)	(0.0892)	(0.1140)
$LEV_{t-1,i}$	0.0003	0.0028	0.0004***	0.0004***	0.0001***
	(0.0063)	(0.0021)	(0.0001)	(0.0001)	(0.00004)
$ROA_{t-1,i}$	0.02120	0.0839	0.4960***	1.5640***	0.14600
	(0.2530)	(0.0740)	(0.0469)	(0.1630)	(0.1090)
$Size_{t-1,i}$	0.03150	0.0324***	0.0037	0.0089	0.0207*
	(0.0242)	(0.0112)	(0.0113)	(0.0178)	(0.0120)
$Board\_size_{t-1,i}$	0.0074**	0.0093***	0.0026	0.0165***	0.0075***
	(0.0037)	(0.0021)	(0.0017)	(0.0030)	(0.0020)
$ER_{t-1,c}$	−0.0293	−0.0552*	−0.0338*	−0.0619***	−0.0443***
	(0.0433)	(0.0321)	(0.0173)	(0.0161)	(0.0148)
Constant	0.5930	1.3060	3.9380	2.1630	2.2700***
	(1.6980)	(2.7280)	(2.6300)	(7.273)	(0.7600)
Country FE	Yes	Yes	Yes	Yes	Yes
Time FE	Yes	Yes	Yes	Yes	Yes
AR(2)	0.756	0.612	0.939	0.172	0.757
Hansen	0.469	0.350	0.499	0.152	0.711

Note: Standard errors in parentheses. "i" and "c" denote the firm- and country-level variables, respectively.
*$p < 0.1$.
**$p < 0.05$.
***$p < 0.01$.

supports the fifth hypothesis (H5), that is, low institutional development strengthens (positively moderates) the positive relationship between the simultaneous usage of CSR and CPA and degree of internationalization. The finding aligns with the theoretical notion that a firm's choice of corporate strategy to enhance performance largely depends on the institutional context in which it operates (Abrahms et al., 2023).

Regarding control variables, the firm-level variables show mixed results. The *Board_size*, *ROA*, *Size*, and *LEV* are statistically significant and positive and are consistent with earlier studies (Chen & Wu, 2023; González & González-Galindo, 2022). Similarly, the coefficient (DOI_{t-1}) is positive and significant, indicating the existence of an AR process. The result for *Market_conc* is statistically significant and positive. Moreover, the

TABLE 6 Regression results with alternative *DOI* measure as foreign sale to total sale.

Variables	(1) Model	(2) Model	(3) Model	(4) Model	(5) Model
$DOI_{t-1,\mathrm{i}}$	0.4490***	0.3560***	0.7090***	0.7140***	0.3660***
	(0.0063)	(0.0124)	(0.0205)	(0.0274)	(0.0094)
$CSR_{t-1,\mathrm{i}}$	0.0002***	0.0013***	0.0002***	0.0034***	0.0290***
	(0.00003)	(0.0004)	(0.00004)	(0.0004)	(0.0023)
$CPA_{t-1,\mathrm{i}}$	0.21600***	0.21800***	0.2370**	2.9840***	1.3840***
	(0.0566)	(0.0548)	(0.0982)	(0.4790)	(0.2810)
$CSR\_CPA_{t-1,\mathrm{i}}$		0.0137***	0.0014***	0.0047***	0.0404***
		(0.0010)	(0.0005)	(0.0015)	(0.0077)
$Inst\_Dev_{t-1,\mathrm{c}}$			0.0975***	0.3450***	0.1550***
			(0.0207)	(0.0475)	(0.0299)
$Inst\_Dev_{t-1,\mathrm{c}} \times CSR_{t-1,\mathrm{i}}$				0.0008***	0.0069***
				(0.0001)	(0.0007)
$Inst\_Dev_{t-1,\mathrm{c}} \times CPA_{t-1,\mathrm{i}}$				0.6180***	0.2480***
				(0.1020)	(0.0608)
$Inst\_Dev_{t-1,\mathrm{c}} \times CSR\_CPA_{t-1,\mathrm{i}}$					0.0086***
					(0.0017)
$Market\_conc_{t-1,\mathrm{c}}$	0.53500***	0.9970***	0.3620***	0.1630	0.2320***
	(0.0550)	(0.0722)	(0.0854)	(0.1401)	(0.0814)
$LEV_{t-1,\mathrm{i}}$	0.0108***	0.0013***	0.0002***	0.0002**	0.0005***
	(0.0018)	(0.0001)	(0.00003)	(0.0000)	(0.00003)
$ROA_{t-1,\mathrm{i}}$	0.0426*	0.0883**	0.5450***	0.1701*	0.5990***
	(0.0237)	(0.0442)	(0.0454)	(0.0891)	(0.0844)
$Size_{t-1,\mathrm{i}}$	0.0520***	−0.0001	−0.0052	0.0189**	0.0197***
	(0.0071)	(0.0034)	(0.0086)	(0.0086)	(0.0066)
$Board\_size_{t-1,\mathrm{i}}$	0.0019***	0.0419***	0.0033**	0.0194***	0.0216***
	(0.0002)	(0.0019)	(0.0015)	(0.0037)	(0.0019)
$ER_{t-1,\mathrm{c}}$	−0.0813***	−0.0479***	−0.0197	−0.0259	−0.0551*
	(0.0065)	(0.0166)	(0.0184)	(0.0358)	(0.0295)
Constant	2.5160	3.17700	0.8720	2.3353**	2.7700***
	(2.0460)	(4.4920)	(2.7920)	(0.8031)	(0.5210)
Country FE	Yes	Yes	Yes	Yes	Yes
Time FE	Yes	Yes	Yes	Yes	Yes
AR(2)	0.949	0.597	0.899	0.428	0.227
Hansen	0.322	0.214	0.275	0.536	0.213

Note: Standard errors in parentheses. "i" and "c" denote the firm- and country-level variables, respectively.
*$p < 0.1$.
**$p < 0.05$.
***$p < 0.01$.

coefficient of exchange risk (*ER*) is negatively significant, implying an increase in the exchange rate reduces the degree of internationalization.

In summary, our findings support the proposed hypotheses: Both individual and simultaneous adoption of nonmarket strategies significantly enhance EMNCs' degree of internationalization. Voluntary use of these strategies in home markets helps EMNCs build moral, social, and political capital, granting access to critical resources (Shirodkar & Shete, 2021). Low domestic institutional development further strengthens this relationship (Khan et al., 2020; Li et al., 2010). Consistent with institutional theory, adopting nonmarket strategies in underdeveloped contexts signals goodwill to foreign stakeholders, helping EMNCs overcome their liability of origin (Abrahms et al., 2023).

Further to determine the robustness of our findings, we re-estimate the empirical model by using the alternative measure of our main dependent variable (*DOI*), that is, the foreign sales to total sales. In the literature, this measure is used extensively to determine the degree of internationalization (Dörrenbächer, 2000). Table 6 presents robustness results consistent with Table 5, confirming no measurement bias and supporting all hypotheses.

CONCLUSION

This study was inspired by the ongoing debate on the determinants of the internationalization of EMNCs and which nonmarket strategies can be effective, if used alone or combined, in a local scenario of underdeveloped institutional context (Adeleye et al., 2020; Frynas et al., 2017; Shirodkar et al., 2022; Shirodkar & Shete, 2021; Sun et al., 2021). Specifically, we studied the nonmarket determinants of firm internationalization by focusing on the voluntary adoption of CSR and CPA individually and combined in the local context by the multinationals from MENA and sub-Saharan African regions. Our findings show that engagement in CSR and CPA initiatives in domestic markets when applied individually and simultaneously helps EMNCs to enhance their degree of internationalization. Further, the lower institutional development level in the home market strengthens the positive relationship between the nonmarket strategy and the degree of internationalization (Adomako et al., 2023; Li et al., 2021; Shirodkar & Shete, 2021).

Overall, this study makes several contributions. First, we made a theoretical contribution by combining institutional theory with the resource-based view to examine the nonmarket determinants of internationalization in the context of less developed regions, that is, MENA and sub-Saharan African countries (Adomako et al., 2023). Considering the institutional specificities of this region that include higher political uncertainty, corruption, lower institutional development, and weak regulatory frameworks, we argue that volunteer investment in social and political arenas in the form of CSR and CPA is an important determinant of EMNCs' internationalization and their survival in the international market. Particularly, belonging to a region with poor institutional quality, EMNCs suffer from organizational legitimacy and liability of origin effects in foreign setups and therefore struggle to survive (Saeed et al., 2022). Hence, by engaging domestically in social legitimacy initiatives in the shape of CSR and ensuring strategic and institutional support in the shape of CPA, these EMNCs gain a competitive edge domestically and enhance their internationalization.

This study further extended the scope of nonmarket strategies and demonstrated that simultaneous adoption of domestic CSR and domestic CPA enhances the fruits of nonmarket strategies which results in an increased internationalization. Our study is one of the few that focused on the engagement in the nonmarket strategies domestically by the EMNCs from MENA and sub-Saharan African regions and their impact on internationalization (Adomako et al., 2023; Al-Kwifi et al., 2020). Lastly, this study theoretically contributed to the related literature by identifying local institutional development level as a boundary condition that shapes the impact of nonmarket strategies on internationalization. This finding is particularly insightful as EMNCs from MENA and sub-Saharan African regions face severe institutional inefficiency and friction. The voluntary adoption of nonmarket strategies in such contexts enhances their degree of internationalization (Al-Kwifi et al., 2020).

This study also offers significant practical implications for managers and new-born global firms who are facing competition and dynamic institutional setups. Given the fact that getting engaged in internationalization is comparatively costlier and riskier for EMNCs compared to their counterparts from the developed markets where access to key resources and important information is relatively easy, we highlight that opting for CSR and CPA alone and combined can yield critical strategic support that is crucial for the survival of the firm. Engagement in either CSR or CPA or both domestically helps EMNCs to gain access to key resources, favorable institutional support, and preferential treatment which ensures the required legitimacy and resources needed to overcome the obstacles to internationalize. The dual usage of CSR and CPA strengthens their access to key resources and offers them a competitive edge. Additionally, the engagement of EMNCs in nonmarket strategies domestically where institutional development level is low offers them good reputation, favorable treatment, and institutional support due to their stewardship and political connections. Hence, the positive effect of these nonmarket strategies on the degree of internationalization is more prominent when the domestic institutional development level is low.

Likewise, any other study, this study has its own limitations. First, we consider the firm's internationalization at a broader level in which we did not consider the host market. Exploring the impact of nonmarket strategies across host countries would be a fruitful research avenue. Similarly, in this study, we measured CSR using ESG scores; although ESG scores capture the CSR initiatives of firms thoroughly, still, future studies can use the exploratory analysis of EMNCs' CSR engagement to capture a wider picture of corporate social performance. Moreover, for CPA, we relied on hand-collected information as no database contains the information related to political donation and political philanthropic activities in this region; future studies should conduct a survey-based approach to gather this information and extend the scope of our research. Finally, future research could extend the scope of CSR and include Islamic-based CSR activities which these multinationals may adopt to enhance their internationalization as most of MENA and sub-Saharan African countries are Muslim majority countries.

CONFLICT OF INTEREST STATEMENT
All authors declare that they have no conflict of interest.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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How to cite this article: Ettalibi, N., Baloch, M.S., Saeed, A., Aldawsari, H. & Alzughaibi, F. (2025) Nonmarket strategies, domestic institutional development, and internationalization: Evidence from MENA and sub-Saharan African regions. *European Management Review*, 1–18. https://doi.org/10.1111/emre.70034