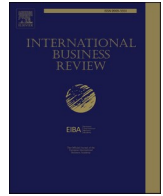




Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

The demands of populism on business and the creation of “corporate political obligations”

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ARTICLE INFO

Keywords:

Populism
Stakeholder capitalism
Nonmarket strategies
Corporate political obligations
Political risk

ABSTRACT

Populism is an ideologically fluid political vehicle which increases political risk and forces firms to adapt. As populist parties claim to speak exclusively for the people, any activities that could be perceived as going against populist ideals or leaders are problematic from the corporate point of view. These obligations need not require firms to actively support the populist party or to champion causes dear to the populists, as they may simply expect that firms refrain from challenging the status quo. But these expectations can alter firm operations and planning, particularly intangible activities such as corporate social responsibility, making a firm divert resources away from what it may desire to compete in the economic marketplace and forcing it instead to compete in the social and political marketplace. In this paper, we explore these obligations imposed on firms and term them corporate political obligations (CPO), a specific type of corporate political activity but one which is imposed from the outside. Through our examination, we find that CPO is the dark side of stakeholder capitalism, with states utilizing power to claim rights within the marketplace that are not theirs to claim.

1. Introduction

Populism, a familiar historic player in domestic politics globally, has been re-energized in the past two decades, showing itself to be a winning electoral strategy not just in its usual stomping ground in emerging markets (Heydarian, 2020) but in high-income countries as well (Spicer, 2018; Caiani, 2019). This new global reach, spurred on by a series of economic crises, has found success through an understanding of local context, with populist parties and leaders mutating into various varieties of populism (Devinney & Hartwell, 2020), ranging from staunchly pro-business but anti-globalization (as in Thailand [Phongpaichit & Baker, 2005] and the United States under Donald Trump [Cha, 2016; Butzbach et al., 2020]) to anti-business but with globalist leanings (as in Venezuela or Turkey; see Demiryol, 2020).

In all variants of this new wave, populism has acted as it has in the past, generating uncertainty at both the policy and institutional level – with corresponding ramifications for firms – a reality that the international business literature is only just starting to grapple with (Hartwell &

Devinney, 2021). While there are obvious channels via which firms may be affected by populism, including the disruption of supply chains via protectionism (Free & Hecimovic, 2021), difficulties in human resource management due to anti-immigration policies (Cumming et al., 2020), or even basic changes in strategic positioning (Ozawa, 2019; Mbalyohere & Lawton, 2021), there are also much more subtle ways in which business strategy may shift. In the first instance, the disruption that populists create (de Sousa et al., 2021) among policies may make it difficult for firms to acquire and utilize information effectively, while in the longer term, the institutional volatility that populists engender may alter the firm’s business environment in profound ways (Hartwell, 2018; Hartwell & Devinney, 2021).¹

Added to this litany of possible effects is an important one related to a firm’s strategy in the area of governmental affairs, namely, how to deal with an intrusive and active government. Corporate political activity (CPA) has been a fruitful area of business research in recent years (Hillman et al., 2004; Lawton et al., 2013; De Villa et al., 2019), generally being classified as one of what have been termed “nonmarket

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¹ Despite discrete bouts of institutional volatility, which can be sharp, the business environment shift may occur over a longer period of time. This is analogous to a time-series which has a trend drift downward due to cumulative bouts of volatility also trending in a downward direction (i.e., with deeper troughs in each discrete bout).

<https://doi.org/10.1016/j.ibusrev.2022.102075>

Received 10 March 2022; Received in revised form 13 November 2022; Accepted 13 November 2022

Available online 21 November 2022

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strategies” (although, as Devinney, 2013] stresses, this is a misnomer as it ignores the market nature of political activity). CPA can also be conceptualized as a form of political risk insurance (Decker, 2011) or as a valuable investment unto itself, a form of intangible asset for the firm (Lux et al., 2012). Beyond its debatable theoretical classification, from a practical standpoint, there is much more consensus that CPA refers to lobbying, cultivating political connections, actively participating in the regulatory process, and other forms of attempted influence on political outcomes for the benefit of the firm.

However, what happens when a firm is actively discouraged from pursuing most forms of independent political activity – including overt association with causes that may not be favored by populist leaders – but is instead obligated to pursue other forms of political activity to ingratiate itself with the ruling elite? Under authoritarian governance structures (such as fascism, communism, and, eventually, most strains of populism), firms experience pressure ranging from dissuasion to coercion to prohibition to threats of violence to either support specific causes which are favored by the leader or to *not* support causes which run counter to the ruling party’s philosophy. In the specific context of populism, as populist parties claim to speak exclusively for “the people,” any activities that could be perceived as going against populist leaders become problematic for a corporation, and firms are expected to behave in a certain political manner. At the same time, while extreme authoritarian regimes tend to discourage all sorts of independent corporate political activity, populists tend to require firms to engage in regime-friendly activity in order to remain in the good graces of the government. That is, populists may recognize the value of business working hand-in-hand with the regime, reaching out to firms (if not explicitly requiring them) to support populist policies.

We term these demands on business “corporate political obligations” (CPO). Distinct from any social responsibilities that a firm may itself perceive and choose to undertake voluntarily, CPO is a broad set of conditions, imposed explicitly or implicitly by stakeholders in government on a firm unrelated to the firm’s own intrinsic motivations or moral understanding. As we will show, CPO can be as anodyne as an expectation that firms generate jobs and growth, or it can be as extreme as expecting firms to actively support the ruling regime via personnel policies, marketing, and overt displays of nationalism. Moreover, these obligations need not require direct action from a firm (as in the aforementioned support of the regime), as in many instances, the obligations may form a sort of implicit contract, with a populist party allowing a firm to operate unhindered so long as it does not attempt to challenge the status quo (seen in many more authoritarian populist countries in post-communist countries, as in Orban’s Hungary; see both Bozóki (2015) and Sallai and Schroder (2021)). In other words, in some cases, action is required from a firm under CPO, while in others, inaction is expected. The exact form of responsibility will be different across regimes simply because populism has many varieties and variants (Devinney & Hartwell, 2020), meaning that not every populist regime will have the same requirements of business.

In this sense, CPO is the dark side of stakeholder capitalism (especially as related to risk management, see Petrick, 2011]), as it requires a firm to follow specific political obligations, with governments using the levers of power not only to directly influence businesses but to indirectly shape the playing field. In many ways, the idea of CPO traces a direct line to some of the oldest populist philosophy from the United States (Betz, 2013), which saw the form of the corporation as entirely reliant on the state and invalid as an independent political actor (Jäger, 2021). This does not mean that CPO is always deleterious for a firm, as many a business has benefited from political connections and/or being involved in “projects of national renewal” (Singh, 2017). In line with more recent theoretical innovations – including as applied to non-populist governments which assert some authority into how business should behave – CPO may also form a type of “corporate diplomacy” (Henisz, 2017), with firms using their responsibilities to engage external stakeholders, albeit in an involuntary manner. In any event, the end result may be similar to

other forms of CPA, with firms generating an intangible asset and acting as a form of political risk insurance, but, as a key departure from the motivation behind CPA, CPO is a product of government demands rather than an independent initiative of firms. In extreme cases, CPO may also ensure firm viability, in the sense that not undertaking political responsibilities as defined by the regime may result in the firm being hounded, nationalized, or liquidated. But it may also lead to a bonanza of subsidies, as seen under many populist regimes globally (Escudé, 2006; Kuzio, 2010; Güvercin, 2022), for firms which play the CPO game correctly.

What is consistent, however, is that the expectations that a populist regime may have will alter firm strategy, operations and planning, making a firm divert resources away from what it may view as necessary to compete in the marketplace of goods and services and forcing it instead to compete in the socio-political marketplace. This paper explores this phenomenon and how it plays itself out under the varieties of populism that have emerged in the past two decades. Building on, yet distinct from, other contemporaneous (and spontaneously emergent) work researching the ways in which firms respond to populism (White et al., 2021; Bennett et al., 2022; Blake et al., 2022; Feldmann & Morgan, 2022), this paper bridges this other work by focusing on how CPO replaces stakeholder management for a firm by re-defining the vague “social” obligations of a firm, defined by the firm itself or by socially active organizations, into a tangible political one, defined externally. The channel via which this works is through reducing the number of concerned stakeholders to one (the ruling party or leader), taken to encompass the popular will and thus speak for all stakeholders involved. Exploring the varieties of populism and the various types of obligations demanded of firms, this paper shows how firms are expected to behave under a populist government and which strategies they may possibly utilize to avoid such obligations. Building on the non-market strategies and institutional literatures, our contribution is to illustrate a new form of political risk for firms in a new populist world.

2. The Varieties of Populism and Their Impact on Business

As noted in the political science literature (Mudde, 2004; Mudde & Rovira Kaltwasser, 2018) and in recent work in international business (Devinney & Hartwell, 2020; Hartwell & Devinney, 2021), populism is a difficult creature to define, more a style of political mobilization combined with a message of “us v. them” wrapped in an existential struggle of the virtuous versus the wicked. Populism has several other basic tenets which unite it around the “thin ideology” (Stanley, 2008) which it supports. In the first instance, populism is meant to mobilize and politicize actors who have not previously been engaged in politics, usually underrepresented, becoming a voice for “the people” (so-called “popular sovereignty,” as noted by Aytac et al., 2021]); this approach focuses on building cross-class coalitions for rapid and sometimes radical political change (Rode & Revuelta, 2015). In terms of policy, this focus translates into almost entirely redistributive (left-wing) policies (Stankov, 2018), although recent variants of populism have married this was a right-wing social conservatism or calls to national greatness. Finally, populism relies on a charismatic leader to make populist policies palatable to the polity (Mudde, 2004); although there is disagreement in the political science literature on how this charisma should be measured (Van der Brug & Mughan, 2007), there is evidence that charismatic leaders are crucial for the electoral success of populist ideas and parties (Pappas, 2016).

Beyond these commonalities, the varieties of populism diverge substantially, in style of governance, and, in particular, in the ranking of priorities by populist leaders. Here is where context matters, as populists build their philosophical positions as a reaction to existing power structures and institutions, each of which are unique within a country; thus, the arc of change (as well as the definition of “the people”) differs from country to country, with populists targeting different policies and institutions accordingly. This diversity-through-context translates into

specific approaches depending upon who the “virtuous” are and where they are located in the economy. To take an example from recent history, the Law and Justice Party in Poland (*Prawo i Sprawiedliwość* or PiS) was last in power in Poland from 2005 to 2007 but found many of its initiatives stymied by the Constitutional Court. One of its first acts in power from 2015 on has been to undermine the Court and make it far more pliable, so as to avoid a repeat of its last term in power. By contrast, the administration of Donald Trump in the United States left the judicial branch alone and instead used existing institutions in the manner in which they were prescribed to enact populist policies (e.g., through the executive branch in imposing tariffs on China and the European Union). Indeed, the United States is perhaps an instructive case on how populist diversity can exist within the same country, as Trump’s successor Joseph Biden has entertained notions of “court packing” and radical institutional change similar to that done by PiS in Poland to ensure that Democratic policies are enacted.

In a practical and cross-country sense, with different priorities for populist policies, populism in different countries may manifest in various ways and need not be uniformly one way or another; policies are instrumental, not ideological, and “populism was (and still is) an instrument open to anybody, any politician, any political party” (Pelinka, 2013:9). Of course, the most popular form of populism historically has come from the left wing, focused on an anti-business and anti-elite platform which manifested itself in macroeconomic policies concerned more with unemployment than inflation (although often failing to tame either; see Dornbusch & Edwards, 1990). In terms of microeconomic policies, countries may be found on a continuum of anti-business policy with one modern-day Venezuela at one end, a mélange of populist and socialist tenets (Hawkins, 2009) which has led to nationalization and destitution. Alternately, at the other end of the spectrum would be more circumscribed policies as in the early 20th century in the United States,

where the presidency of Theodore Roosevelt co-opted populist themes from opponent William Jennings Bryant. This led to anti-trust legislation and an “emphasis upon the need of governmental regulation of industrial tendencies in the interest of the common man... the checking of the power of those business Titans who emerged successful out of the competitive individualism of pioneer America” (Turner, 1920:28).

But while overall populist policies may advocate for left-wing redistributionist macroeconomic policies, at a microeconomic level, populist governments need not be explicitly anti-business or even anti-financial sector (Hartwell, 2021). Indeed, savvy populist regimes may note that they need functioning private and financial sectors to fund their grand schemes, and thus will tolerate or encourage commerce as a means to an end (Chandra & Walton, 2020; Yoshida, 2020). Other populist regimes may even be explicitly predicated on “saving” a particular industry or the entire country’s economy, focusing on protectionist and anti-globalization themes (Zaslove, 2008) in an attempt to build a wall against threats to domestic businesses or workers (Franzese, 2019). In still other country settings, the populist impulses may come from rich elites or oligarchs instead of originating in the marginalized segments of the population: the electoral success of Silvio Berlusconi, a billionaire who made his money in media, and Donald J. Trump, a real estate mogul of questionable success (but unquestioned marketing acumen; see Schneiker, 2019) show just how such a “populist plutocracy” might look in practice (Pierson, 2017; Lee, 2019). With populism originating from such a source, there is likely to be an emphasis on supporting business (Ruzza & Fella, 2011), although the “pro-business” policy that these leaders might pursue is simply pro- their own business (Fell & Ruzza 2013; Doctor, 2019). Table 1 shows just how these different varieties of pro- and anti-business might look like with reference to specific populist leaders.

Although business may be tolerated in any variant of populism, the

Table 1
Varieties of Pro- and Anti-Business Populism.

Country	Leader	Characterization	View on Globalization and Foreign Investors	Trading Rank	Business Freedom Rank
ARGENTINA	Cristina Fernández de Kirchner (Labour)	Anti-business	Protectionist in the traditional Peronist mode, nationalized the country’s pension fund, increased taxes, and sought to bring the country closer to autarky.	143 (2015)	52.8 (2015)
BOLIVIA	Evo Morales	Anti-business	Anti-Capitalist, nationalized the gas industry and metal processing, targeted foreign ownership.	100	58.3
CHINA	Xi Jinping (CCP)	Pro-business	Trade policy restrictive internally but externally promotes free trade in pursuit of growing Chinese leverage. Business encouraged but with major strings attached and pervasive political influence.	56	76.8
HUNGARY	Viktor Orbán (Fidesz)	Pro-business	Generally pro-business but interventionist with regard to “key sectors” of the economy. Focuses on national champions with policies generally unfavorable to foreign investors.	1 (EU)	60.2
INDIA	Narendra Modi (BJP)	Pro-business	Generally pro-business internally but protectionist externally. Promotes policies that force investors to produce within India.	68	65.6
ITALY	Silvio Berlusconi (Forza Italia)	Pro-business	Generally argued for liberal policies and had pro-business rhetoric, but not when it clashes with his own business dealings (Fella & Ruzza, 2013).	1 (EU)	70.4
NEW ZEALAND	Winston Peters (New Zealand First)	Anti-business	Since 1992, Peters has been pushing for “economic sovereignty,” appealing to nationalist sentiment (Kelsey, 2015). Advocates race-based business regulations and restrictions on foreign ownership.	63	90.4
PHILIPPINES	Rodrigo Duterte	Pro-business	Open trade policies continuing in line with predecessors but supplemented by internal infrastructure projects and has favored political supporters (Thompson, 2022).	113	59.5
POLAND	Jaroslav Kaczyński (PiS)	Pro-business	Generally open but with increasing limits on foreign ownership, state-directed investment supplanting private investment, and regulations on foreign-dominated sectors of the economy (as in retail or banking).	1 (EU)	62.6
RUSSIA	Vladimir Putin (United Russia)	Pro-business	‘Sovereign globalization’, which involves limiting exposure to foreign influence by circumscribing MNE ownership of Russian assets and maximizing the balance of benefits of trade over its potential costs.	99	80.2
USA	Donald J. Trump (Republican)	Pro-business	Protectionist with a willingness to use tariffs to extract political advantageous concessions. Otherwise, overall business policy in line with other Republican administration, including lowering corporate taxes.	39	83.3
ZIMBABWE	Robert Mugabe (ZANU-PF)	Anti-business	Vehemently anti-foreigner sentiment and policies expressed via expropriation of assets and restrictive FDI policies.	159	39.1

Note: Adapted from Devinney and Hartwell (2020). Trading Rank comes from the World Bank’s (discontinued) use of Doing Business Index and is the ease of trading across borders ranking of a country out of 190 countries. Business Freedom comes from the Heritage Index of Economic Freedom and is ranked on a scale from 0 to 100. Data for both Trading Rank and Business Freedom Index is for 2020 unless otherwise noted.

fact that populist governance is done explicitly in the name of “the people” means that business is also seen as a means to realizing greater national goals, whether it is “making America great again,” “building back better,” or serving “the many, not the few.” Indeed, projects of national renewal almost by definition require business to be oriented in the same direction as the rest of the nation, as firms will be instrumental in generating the prosperity which will benefit the ordinary person in the street. It is here where country context once again becomes important, as the extent of business and government relationships prior to populist electoral success may influence the path of future expectations, in that countries used to clientelism or corporatism may see an easier transition to populist aspirations (Lee, 2019). On the other hand, firms which have been much more independent, and especially those which have been either politically inactive or have used corporate political activity as a strategy in the past, may find that the requirements of populism are more problematic.

3. The Idea of Corporate Political Obligations

3.1. Corporate Political Activity: A Brief Review

In order to understand the shift in political strategies for a firm under populism, it is helpful to understand the theory surrounding firm political activity, its drivers, and its composition. The long line of research examining corporate political activity (Henisz, 2017; Schuler et al., 2019) has a running and implicit theme that corporations are powerful actors within an economic ecosystem, deploying strategic assets towards political means to influence policy. The channels by which corporate political activities may impact policies can be legion, but generally revolve around rent-seeking behavior targeted at politicians and manifested in formal lobbying (Hadani et al., 2017), direct and indirect pressure on politicians (Naumovska et al., 2020), forming coalitions of like-minded interlocutors (Murray et al., 2016), and/or various forms of financial transfers which may either be legal (Gupta & Swenson, 2003) or illegal (Sitkoff, 2002). Firms may also apply pressure on regulators rather than elected officials, with firms that have high market share and/or dominance in a particular sector “flexing their muscles” to forestall policies which may have negative ramifications for the firm (Gordon & Hafer, 2005). Such an approach may also be proactive rather than reactive, using firm resources to forecast when external stakeholders could act in a manner deleterious for business. This requires focusing strategic activities on “winning hearts and minds,” forging relationships with politicians and regulators over time, and integrating data on external stakeholders into internal firm decision-making processes (Henisz, 2016).

Even where firms are not directly seeking to influence current officials or understand the desires of specific regulators, they may play a longer game to create institutional connections, inserting former industry insiders into regulatory positions, the idea of “regulatory capture” (Stigler, 1971; Niskanen, 1973; Laffont & Tirole, 1991; Dal Bó, E, 2006). In a similar vein, informal political institutions may also be the target of political activity, with firms focused on forging social and family connections to get at the true power in a country with weak formal institutions (Dieleman & Sachs, 2008). The goals of various firms in undertaking CPA may also be very different across companies, ranging from attempting to acquire privileges not available to others (Sawant, 2012), disadvantaging competitors by raising their costs (McWilliams et al., 2002), or even securing longer-term goals in a weak institutional environment (Liedong, 2021).

In recent years, especially in the wake of the *Citizens United* Supreme Court case in the United States – which removed prohibitions on political expenditures by corporations – the business literature (Lux et al., 2011; Dieleman & Boddewyn, 2012; Alzola, 2013; Macher & Mayo, 2015; Néron, 2016) has moved in lockstep with political science and sociological research (Burns & Jindra, 2014; Walker & Rea, 2014; Kim & Darnall, 2016) in portraying the CPA of firms as having a major role in

shaping political decision-making (even if, as Hansen et al., 2015] show, early results post-*Citizens United* were that corporate behavior did not change immensely). Papers such as Lyon et al. (2018) posit that this invigorated role of firms moving into politics (perhaps even into the “wrong” politics) must be considered when assessing the overall “social” responsibility of a firm, with transparency of CPA possibly allowing politically opposed actors to block firms from undertaking such activities. Indeed, the argument against such CPA is that, empirically, it appears that it works: firms that engage in CPA have higher firm valuations (Brown et al., 2015), better market perceptions of connections as an intangible asset (Croci et al., 2017), more successful initial public offerings (Rudy & Cavich, 2020), or larger market shares (Lux, 2016). And if a firm does get into trouble via its operations, there is also evidence that targeted political expenditures can help to lessen the enforcement or fines which come its way (Correia, 2014).

Not every view of CPA asserts that firms are strong actors, however, as more economic approaches regarding regulation and the interventionist nature of the state argue that firms can indeed be helpless in the face of the state’s monopoly on violence even with increased CPA (Lawton et al., 2013). A massive literature on political risk (Jakobsen, 2010; Hartwell & Devinney, 2021) shows the weakness of firms – especially foreign ones (Sethi & Judge, 2009) – when pitted against governments. But even domestic firms may be subjected to politically motivated pressure such as anti-trust investigations or pressure to adhere to overall economic policies (sanctions against other countries being a perfect example of this; see Morgan and Bapat, (2003)). Even if firms are not in the crosshairs of a government for their CPA, political activity may also increase risks with stakeholders and consumers, as public scrutiny may create negative perceptions of firms which are too involved with opposing ideas (Panagopoulos et al., 2020) or which are involved in controversial topics (Prabhat & Primo, 2019). Finally, focusing merely on one firm’s CPA may ignore the fact that many firms are also engaging in CPA, and a utility-maximizing government (note: not a welfare-maximizing one) may choose winners from among a set of firms engaged in lobbying. This may also result in public policy which is sub-optimal to a particular firm.

This hint of weakness attached to CPA may be amplified for firms in authoritarian and authoritarian populist regimes, where the rules of the game are very different. In some instances, implicit bargains between leaders and business elites may be in place, which allow for the amassing of economic power via a tightly controlled marketplace but strict prohibitions on any attempts to translate economic power into political power (Kazakhstan under Nazarbayev and now his successor Tokayev is a good illustration of this phenomenon). More confusingly for firms, certain types of CPA may be encouraged, especially if they support the ruling class or the nation, i.e., where corporate political activities are along a pre-approved line and reinforce what leaders have already decided is the “correct” course. Simultaneously, various avenues of CPA may be forbidden, even where they do not explicitly go against political leaders, simply because they are seen either as a waste of resources or are in areas which could be problematic (for example, any form of human rights activity or CSR which can subtly criticize a government for not doing enough in a particular area).

3.2. Moving from CPA to CPO

But what of the situation where certain forms of CPA are not only encouraged, but required, while others are explicitly prohibited? Under extreme political ideologies such as fascism, business is meant to be an appendage of the state apparatus, a reality encapsulated by Italian dictator Benito Mussolini’s formulation of “everything in the State, nothing outside the State, nothing against the State.” In such an environment, CPA is unnecessary (and likely dangerous), as all commerce is expected to be subordinated to the state apparatus. However, in other authoritarian regimes, quasi-independent firms are tolerated but are still seen as having a duty to serve the state – as in modern China, where

“living, working and doing business are not a right but a privilege granted by the [Communist] party” (Li & Farrell, 2021:745). Unlike under fascism, however, this duty can be satisfied in many different ways, and thus regime-friendly corporate political activity may be critical in order to secure the privileges of commerce bestowed by the ruling class (Steinberg & Shih, 2012; Hadani et al., 2017).²

As a halfway point between fascism and authoritarian styles of governance (Eatwell, 2017; Weyland, 2018), populist regimes often have expectations, if not outright demands, for firms to engage in specific political activities which support the political regime. The difference between populism and other forms of authoritarian governance is the extent to which these activities are actually required and who they are meant to serve. Business activities under fascism are meant to be oriented towards the “nation,” while under authoritarianism they are meant to support “the state.” By contrast, populist political obligations are more likely to expect firms to show support for the ruling elite: i.e., serving the “leader” (and parties) instead of formal or abstract (“freedom,” “liberty,” “due process”) political institutions. Indeed, under populism, corporate responsibility has been redefined away from serving a nebulous “social” entity, comprised of various “stakeholders” but generated internally within the firm, to a much more specific and external “political” obligation, serving the ruling elite. This expectation thus generates a corporate political obligation (CPO) wholly distinct from any other obligations which the firm may perceive; indeed, while corporate social responsibility (CSR) attempts to build intangible assets by embedding a firm within its broader community (however defined), CPO is undertaken as a forced responsibility to a narrowly circumscribed community with direct oversight and power over the firm.

This view is, as we have mentioned, the dark side of stakeholder capitalism: the animating force behind “stakeholder capitalism” writ large is that a diverse group of stakeholders *should* be involved in determining business strategy, remedying so-called “problematic assumptions in the current narratives of capitalism” (Freeman et al., 2007:303). Under such a concept, firms may be pressured into the political arena by stakeholders – the idea of “corporate sociopolitical activism” theorized by Bhagwat et al. (2020) – leading to uncertain cost/benefit tradeoffs for a firm’s bottom line but (presumably) the satisfaction of stakeholder. In another vein, the aforementioned Lyon et al. (2018) piece uses stakeholder activism to keep firms in check – hindering their pursuit of causes which might be antithetical to one political party’s view of “progress” For Lyon et al. (2018), the existence of a “corporate political responsibility” keeps firms responsible not only for their social works but for their CPA as well.³

Under populism, these same tenets of stakeholder capitalism hold, but the set of relevant stakeholders is collapsed to just one, the ruling populist party (or, in extreme cases, even just the leader him or herself).⁴ Rather than having a firm attempt to curry to various and diverse stakeholders with differing needs (and with uncertain results), populists have redefined themselves as the only stakeholder through which the one true “people” speak, acting as a political manifestation of a benevolent and progressive people (precisely why they are “populists”); thus, to be with the people, one needs to be with the leaders of the populist government. Conversely, if the ruling party has identified an area of

activity as detrimental to “the people,” businesses are anticipated to also act accordingly and to avoid this area, whether through divestment (Soule et al., 2014), discrimination (Bown, 2007), or outright prohibition (as in the aforementioned sanctions). In this way, there are no messy issues or ambiguity in attempting to satisfy different swathes of the population, as the populists are the representatives of the people and can be dealt with instead. Much as with political governance (Batory & Svensson, 2019), populists have thus appropriated the language of participation (namely, stakeholder capitalism) and inverted it for their own ends.

This reality also touches upon the idea of legitimacy. The international business literature has described how multinational corporations attain legitimacy in foreign markets, mainly through compliance with informal institutions such as culture and conforming to stakeholder responsibilities (Katz et al., 2001; Khojastehpour, 2015; Jancenelle et al., 2019) in a way to de-emphasize their “foreignness” (Navis & Glynn, 2011). Under CPO, with stakeholders collapsed to only the ruling populist party, legitimacy can only be acquired via one means, satisfying those obligations as laid out by the regime. While consumers still have a measure of sovereignty and can vote with their wallets, the only way in which a firm can be perceived as legitimate under populism is by satisfying the formal demands of CPO (whether they are explicit or implicit) rather than by going straight to the consumer. In this conception as well, the collapsing of stakeholders into the populist party both simplifies the legitimization process for firms while making it much more fraught with political difficulties. This would be doubly true in an extreme environment where a firm’s existence in a country is entirely beholden to the whims of the ruling party (and when populists have almost no countervailing constraints), as can be seen currently in Russia; while Russia was moving towards a much more authoritarian populism since 2012, its brutal invasion of Ukraine has spurred both business flight and increasing political obligations for firms choosing to still operate in the aggressor country (Lim et al., 2022).

3.3. Modalities and extent of CPO under populism

In terms of the types of obligations which are expected from business under populism, we must take care to demarcate the *parameters* of obligations (i.e., the extent of what is expected) and also the *modalities* of these obligations (i.e., how they are to be operationalized). While one would expect that the parameters of obligations are set first and then the modalities (derived from a set of first principles regarding state-business relations), in reality, the unpredictability of populist governance (Des-tradi & Plagemann, 2019) means that the process runs in reverse. Specifically, tangible obligations – either action or inaction – for firms usually come first in the mind (or the platform) of the populist leader, with the collection of these obligations then determining the extent of a firm’s responsibilities vis-à-vis the regime. The parameters of obligations thus arise organically and as a function of time, an aggregation of a generally uncoordinated collection of obligations put forth by a populist regime. This aspect of populist policy, then, is very similar to the overall populist approach to policymaking, based on unconnected policy actions linked to platitudes rather than a platform (Şahin et al., 2021) and relying on quick implementation by loyal bureaucrats (Müller, 2016) bereft of (or bypassing) institutional memory (Sasso & Morelli, 2021).

Given that the specific obligations for firms come first before their parameters are defined, understanding the various modalities of CPO thus becomes paramount. However, these obligations tend to be very country-specific (as noted earlier, much of populism itself is context-dependent), as the actions that a firm is expected to (not) undertake as part of its CPO are driven by a number of country-specific issues perceived by populist leaders. In the first instance, the historical experience of a country, and in particular the experience of populists within a country governance context, is crucial to understanding which policies regarding business are to be enacted as a priority. Populist ideas have often circulated sub rosa well before they have been given a vector to

² This is not to say that these regimes are less dangerous.

³ An earlier version of this paper used the term “corporate political responsibility” to refer to the obligations incurred by firms under populist and authoritarian governments, what we now term corporate political obligations. The term has been changed so as not to confuse it with Lyon et al. (2018), as their concept of corporate political responsibility and our concept of corporate political obligations are vastly different in both meaning and intellectual heritage (although both represent facets of corporate political activity).

⁴ In less authoritarian populist regimes, the set of stakeholders is not necessarily reduced to one, but the populist party/leader is still the priority among any competing stakeholders.

power, and populist electoral success often results from a combination of learning from past mistakes (Silva, 2018), ideological gaps in a country's political institutional structure (Pauwels, 2010), and luck in capturing the zeitgeist. For populist parties which have been close to or in power before, their learning is even more pronounced, and success in implementing policy is heavily influenced by prior experience with country institutional levers, especially where those levers are highly redistributive or "winner take all" (Kaufman & Stallings, 2007). This experience then necessarily colors their policies towards business and in particular the specific CPO which is envisioned.

A prime example of this is in Poland (as noted earlier), where PiS sought to undermine the institution which blocked them their last time in power (the Constitutional Tribunal). To secure business support for these actions, they couched these institutional moves as necessary for the government to undertake a much more active industrial policy, presumably to benefit business (Madariaga, 2020). At the same time, PiS increased taxation on mainly foreign-owned firms, including banks and supermarkets, ensuring more support from domestic firms who were squeezed by foreign competition (Hunter & Domanska, 2016). As Morgan and Feldmann (2021) note, while some aspects of a populist program may be problematic for business (and vitiating the rule of law certainly falls under this category), the presence of traditional policy inducements may help businesses to support such a policy in the short-term, as it did in the Polish case. The PiS approach to CPO was not all carrots, however, and these inducements were paired with draconian changes to administrative law, including the imposition of fines and the threat of business confiscation for firms found guilty of fraud or "tax errors" (Jasiecki, 2017), a category which could be stretched in any direction. Using both carrots and sticks, the PiS government expected that support of their preferred policy, based on historical experience, was an obligation for businesses in Poland.

The previous historical experience of a country, beyond the myopic views of populists and their own experience, is also likely to color the variety of populism subscribed to (as described in Section II), and thus determine the specific CPO demanded of firms. Starting from an ideological position of already being suspicious of private commerce, a country which is predisposed to anti-business populism (as in Latin America) is likely to have higher bars for CPO, more stringent obligations for the private sector, and a closer eye on business in general than a relatively more pro-business populism. For example, as Gates (2010) noted with reference to the rise of Chavez, the ascendance of populism in Venezuela came about due to a widespread perception of business as being too politically connected and corrupt, and thus an anti-business crusader was seen as the panacea. Upon "election," Chavez undertook a series of anti-business moves, including widespread nationalizations, with threats utilized to keep a concerted anti-Chavez pro-business coalition from forming (Roberts, 2006). In particular, as Weyland (2013:29) relates, in Venezuela, "businesspeople need to think twice before funding oppositionists lest the government find a pretext to revoke business licenses, deny access to foreign exchange, or impose other sanctions." Indeed, these policies were supported by many in Venezuela due to the aforementioned pre-existing suspicion of business (Gates, 2010).

But while the specific policies and their ordering comprising firm CPO may differ according to country context, specific institutional attributes, and historical factors (including varieties of populism), there is a remarkable regularity in policies associated with CPO (and especially the sectors in which it operates). Many areas of CPO have in fact converged across populist regimes, with the obligations expected of business under populism usually can be grouped into a few broad categories:

3.3.1. Curtailing anti-regime political activism

Overt political opposition by business is unlikely to be welcomed by any regime, much less a populist one, but the main form of CPO expected by populist regimes is also the simplest, namely for businesses to stay out of politics. The extent of this CPO is also highly context dependent, much

like the varieties of populism: in fact, tolerance of activities in opposition to the regime (or even political activities which are explicitly neutral) may differ wildly across populist leaders, dependent upon the strength of the populist regime and its own pet issues. In institutional structures where there still remain checks and balances or veto points – or where a populist party does not have a clear majority – there is less ability to curtail political activism. For example, in the US under Donald Trump, there was no political backlash against firms that set themselves up against Trump's policies (where firms actually found a business niche in setting themselves up as "woke" and against the President), with the most harmful actions generating a disapproving tweet from Trump against a specific firm or business leader (Lin, 2018).⁵ Similarly, in Germany (where populist parties did not have a majority), business mobilized against populism in a very overt and public manner (Kinderman, 2021).

At the same time, the stringency of this type of CPO also is a function of time, as populists who have been in power for a longer time are much more likely to push against activist business. This is similar to the question of populist strength, but distinct as the amount of time that a populist is in power does not only reflect popular support but also the moves that a populist regime does to secure their institutional position (e.g., changing the constitution, packing or abolishing the courts, or eliminating checks and balances in the legislature). With control of more branches of government, it is much easier for populist regimes to attempt to squeeze businesses from participating in any form of political activism.

This obligation under CPO for powerful populist regimes can thus be quite extensive, with firms tied in any way to opposition figures or anti-populist themes regularly harassed and cowed, with many forced into silence even when they are opposed to the policies of populism (Morgan and Feldmann 2021). Russia in the Putin era provides the perfect example of this facet of CPO: starting from the bold arrest of independent-minded oligarch Mikhail Khodorkovsky in 2003, who made his money under Yeltsin, "the original billionaires owed the true explosion of their wealth to the Putin years, and, after Khodorkovsky's imprisonment in 2003, were careful not to anger him" (Treisman, 2013:254). As Putin became more comfortable in the Kremlin, the requirements for business to stay out of opposition (Hale, 2010:38) politics have become more overt (and the punishment more severe). In addition to proactive strategies by Putin's network to acquire assets so that they may never be utilized by political opponents, the Kremlin has "coordinate[d] business political activity so that it was not divided among different Kremlin loyalists competing for influence under Putin's win" (Hale, 2010:38).

An additional, important point related to CPO is that the obligations imposed on firms are not just expected of domestic firms. All firms operating inside of a country (including and perhaps especially foreign firms) are expected to keep out of politics. In extreme cases, populist regimes attempt to use multinationals as a means to garner legitimacy, demanding additional obligations under CPO that would not be imposed on domestic firms. Practically, this means requiring support of a regime rather than just some form of studied neutrality, forcing isomorphism to create legitimacy (as in countries rife with corruption; see Rodriguez et al., 2005)]. Examples of this form of CPO abound from Russia, as in September 2021, in the midst of the Russian parliamentary elections, non-Russian tech firms apparently acquiesced to Kremlin pressure and suppressed material related to opposition leader Alexei Navalny. The most public instances were when Apple removed an app that Navalny's team had put together with information on voting against Putin's United Russia party and YouTube's removal of a related video. Despite public outcry, the tech giants stood by their decision, balancing their business

⁵ In fact, as Lin (2018) noted, there was a cottage industry in the US during the Trump administration of organized action against any firms who appeared to side with Trump, calling for boycotts and the like.

interests in Russia against potential backlash from the Kremlin. Similar examples come from the (perhaps more stringent and universally applied) CPO practiced by firms under Xi Jinping's rule in China (Economy, 2014). Tales of firms engaging in proactive policing of content (Chang & Manion, 2021), in line with government desires, are legion in China (Stevens et al., 2016), including LinkedIn's blocking user profiles with "sensitive" subjects (including Tiananmen Square) from being viewed inside China. In this way, fulfilling corporate political obligations is a prerequisite of doing business in a country (for new firms) or for avoiding harassment (for established firms).

3.3.2. Removing themselves from the commanding heights

In addition to staying out of formal politics, CPO under populism also has very specific goals related to the national economy, focused on the most important economic sectors in any particular country. Across all populist-led countries, populists almost uniformly seek to control the key sectors of the economy, involving the organs of the state (headed, of course, by populist loyalists) to oversee energy sectors (as in Russia and Venezuela), the financial sector (Poland, Hungary, Russia; see also Hartwell, 2021]), and, especially, the media. By bringing the commanding heights of the economy under the direct control of populist-directed institutions, not only can populists find a ready source of funds (Deering, 2007), but they can also use this economic power against other firms (or countries) for coercive purposes. That is, rather than directly commanding firms to fulfill their CPO, various additional measures can be deployed (lack of access to finance, power interruptions, inability to access raw materials, relentless attacks in the media) by the various organs of the populist-led regime (Hartwell & Devinney, 2021).

An example of this comes from Daniel Ortega of Nicaragua, where we can see this stratagem at play specifically in the media sector. Ortega has assaulted independent media corporations in an attempt to control propaganda transmission and, more importantly, drive out rivals to "Canal 8," the government mouthpiece television network which is owned by Ortega's son.⁶ Similar activities have been carried out in other populist countries (Poland, Hungary, and Russia stand out in this regard), where businesses are expected to stay out of the media sector; naturally, any attempts to enter or remain in these sectors are then punished severely. Indeed, in most populist discourse "the media" are lumped in with "the elite" and treated as enemies for not reporting what the leader wishes, and private firms in this sector across countries have had their licenses revoked or not renewed, been subjected to legal action, been made the target of witch hunts by the tax authorities, or even taken over by outright nationalization (Waisbord, 2011).⁷

Many of the obligations under populism are similar to those expected under other authoritarian regimes, and thus we now turn to understanding the differences with regard to the CPO demanded by populists. In reality, given the fluidity of populism as a political concept and as an organizing principle, populism's demands on the private sector resides somewhere between the corner solutions of communism and fascism and may, in its pro-business variants, even be as mild as some democracies in demanding explicit or implicit obligations (Fig. 1). Indeed, the mere fact that private enterprise is sanctioned sets populism apart

⁶ Four other television networks are owned by Ortega's family members and associated, while an additional channel is explicitly state run; in addition, the state owns the national radio station while the Ortegas own three more, as well as several online news portals.

⁷ Unfortunately, this reality is not limited to the media sector, and can apply to energy, finance, or wherever the regime has declared a "strategic sector."

from communism, which has an ostensible goal of eradication of private property (although the now-former communist bloc tolerated small-scale private enterprise). Unlike fascism (Baker, 2006), populism also does not require the same total loyalty to the regime (Timasheff, 1940).⁸ Even populists seeking to bring most commerce under cartels influenced by the state (such as Turkish Prime Minister R. Tayyip Erdogan) have attempted to co-opt business leaders by a plethora of carrots but without resorting to direct crackdowns (Yilmaz, 2018).

However, the varieties of populism detailed in Section II, and the predisposition of a regime on the pro/anti-business continuum means we should also expect the extent of CPO to vary across populist leaders, leading to different gradations of how binding a firm's "obligation" is (that is, how close it is to the top of the Y axis as shown in Fig. 1). An anti-business populist such as former President Evo Morales in Bolivia or former Prime Minister Jacinda Ardern in New Zealand is far more likely to have much higher expectations for firms in their dealings with the state, being already ideologically predisposed to a lack of trust in the private sector (so closer to the upper left-hand portion of the box in Fig. 1). Under this type of regime, the obligations demanded of firms are likely to be much more explicit than implicit, laying out rules and regulations and weaponized bureaucracies in order to keep business in line. On the other hand, there is much more room for populist variants which tolerate private business to have differing obligations. At one end of the spectrum are relatively mild expectations of business (as in Turkey in the early 2000 s; see a Öniş & Kutlay, 2020]), where a regime concerned with helping to enlarge the economic pie (albeit in a more "people" friendly manner) might see growth and increased employment as populist responsibilities unto themselves. This would also suggest that pro-business populist regimes operate much more under an "implicit contract" model, with firm responsibilities vis-à-vis the government left unstated or far less formal than under an anti-business populism. However, pro-business regimes concerned more with the distribution of the pie – especially in relation to where it goes – would demand much more in terms of a response, as evidenced in Russia and Venezuela, making their demands more explicit.

4. How do businesses react?

Not only do the modalities of CPO differ based on country context, but their aggregation into extent of coverage is also highly context dependent. This reality provides a challenge for firms seeking to internationalize within these countries (or even for domestic firms), as the extent of CPO can vary widely, forcing firms to expend much more effort in understanding the specific country political risk (De Villa et al., 2019).

The next question is then, how do firms react to CPO? CPO as a concept settles in well with extant research which examines why firms are politically inactive (Rudy & Johnson, 2019) but offers a framework for thinking about how firms overcome this inertia and engage in the manner in which they do. Papers such as Hansen et al. (2004) show that institutional arrangements are a powerful determinant of firm political actions, while Goerres and Höpner (2014) note that firms may be inactive due to a collective action problem (in that they may benefit from the lobbying of other firms). Within a populist regime, shifts in the institutional matrix – precisely the goal of many populist regimes, as populists specifically utilize existing institutions in a manner to propagate populist ideals (Hartwell & Devinney, 2021) – force businesses which might have sat on the sidelines into the limelight, while collective action problems are solved by edict from above (or, in extreme

⁸ Timasheff (1940:864) notes that, under fascism, "business continues to be based on private ownership of enterprises and on individual profit; but the activity of the owners ceases to be a 'free' activity, becomes more and more managed by state agencies, and has to comply more and more with public interest as interpreted by these agencies."

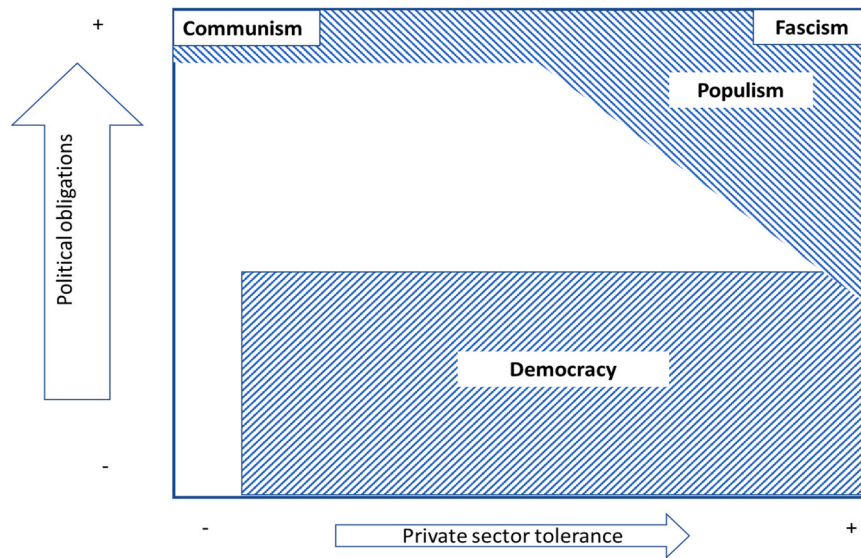


Fig. 1. The Space of Political Obligations and Tolerance for the Private Sector.

Table 2
Summary of Business Reactions to Corporate Political Obligations.

Business Reaction	Pros	Cons
<i>Cultivate political connections</i>	Firms may benefit from connections, either directly (subsidies) or indirectly (left alone) Act of lobbying may encourage compromise by government	Populist governments may be especially opposed to corporate lobbying Cost and uncertainty of finding the right people to target
<i>Outdoing the government</i>	Government may support via subsidies or other forms of largess Business may be called on to shape policy	Could alienate many customers Possibly seen as insincere by populist supporters Can outpace populist government's desires and bring undesired interference
<i>Hide away</i>	Minimizes footprint of firm and makes it hard to attack Populist parties may accept this implicit loyalty...	Fragmentation of business may mean more onerous responsibilities are imposed ...or they may not
<i>Refocus on core business</i>	Minimizes footprint of firm and makes it hard to attack Plays to competitive advantage and marshals resources	CSR of value to the firm may be abandoned No guarantee of insulation from populist pressure
<i>Fight back</i>	Proves firms bonafides around values (may win customers) May have an impact on political responsibilities	Can invite retribution or even nationalization Can alienate potential customers
<i>Leave</i>	Ends exposure to populist regime	Not always possible Can be dramatically costly

situations, via pre-emptive coordination to forestall government intervention). Moreover, and more practically, the consequence of the collapsing of the plethora of a firm's stakeholders into one powerful stakeholder means that the payoff matrix for a firm in engaging in CPO is no longer a vague decision tree with associated probabilities and trade-offs. Instead, it becomes a binary choice between finding favor with the government or possibly being harassed, expropriated, closed, or threatened.

From the firm side, the addition of CPO is thus another wrinkle in creating firm strategy, forcing them to compete in the marketplace of politics rather than the market of products and services (Devinney, 2013). Facing this reality, there are several ways in which businesses

may choose to engage in their political obligations, none of which may be particularly attractive to a firm looking to maximize both shareholder and stakeholder value (De Villa et al., 2019). As a new form of political risk (Hartwell & Devinney, 2021), firms may discover that they need to take actions to minimize the deleterious consequences of CPO (rather than avoid them altogether), much as they have done in the past with other variants of political uncertainty (De Villa et al., 2019). These various actions are, as Feldmann and Morgan (2022) note, similar to the typology which Hirschman (1970) used to model firms in decline; more accurately, however, they suggest avenues for firms facing extreme institutional uncertainty to follow (summarized in Table 2).⁹

4.1. Cultivate political connections

In democracies, firms often take a portfolio approach to CPA, diversifying political activities across a broad spectrum of political actors so as to create a hedge against any one actor behaving in a manner deleterious to the firm (Zhu & Chung, 2014). As populism in heavily predicated on charismatic leaders and their retinue, a savvy firm (especially with experience in managing political risk) may first and foremost attempt to ingratiate itself with the new leadership and/or use its resources to target specific politicians (Henisz, 2016). A voluminous literature on the benefits of CPA for firms exists (Hillman et al., 2004; Lawton et al., 2013), but there is little extant research on how political connections may work in a populist environment: exceptions include Bohle and Regan (2021), who provide some evidence that the effect of connections may not be that different under populism than a "normal" political environment, and Ortiz-Serrano (2018), who uses historical data from France to show that firms politically-connected to the Boulangist populist movement in the late 19th century benefited from these connections.

Theoretically, since populism itself is a form of political mobilization (Jansen, 2011), firms can benefit from this heightened awareness of politics by mobilizing their own resources to enter the political arena, taking a smaller public stance but mobilizing lobbying and other forms

⁹ Feldmann and Morgan (2022) expand upon this typology in a forthcoming handbook, but their 2021(a) paper offers a comprehensive look at how firms may deal with right-wing populism in general, not only any political responsibilities which may come from populists. Hence, the typology here is a more refined and focused approach from the broader Feldmann and Morgan framework.

of CPA to curry favor (Liou et al., 2021). While there may be less chance of a success for multinationals in lobbying than smaller firms (Feldmann & Morgan, 2022) – and the anti-corporate convergence of the populist left and right may make such efforts wasted (Kaufman & Bonvehí, 2021) – the mere attempt of cultivating connections by larger firms may help to blunt some of the more destructive populist policies; as Feldmann and Morgan (2022:357) note, the act of lobbying and forging connections may create a “soft voice” for “compromise in particular policy areas.” Alternately, it may help to spur on the creation of transnational alliances (Curran & Eckhardt, 2020), hoping to influence specific politicians with the carrot of economic activity. But in the long run, with uncertainty about the longevity of populist regimes, cultivating new connections may also be seen as a form of insurance against political risk, an attempt to insulate a firm against institutional volatility by finding a “protector”.

4.2. Outdoing the government

For some companies, the corporate political activity which accompanies populism may actually be in line with the values of CEOs or shareholders, and thus a firm may go beyond its own narrow economic interests (Mitchell et al., 1997) and enthusiastically plunge into various different initiatives in order to satisfy its CPO. Unlike the agency theoretic approach of Greiner and Lee (2020), where political activity in favor of more ideologically extreme candidates may be harmful to a firm’s performance, such an alignment with populists of all stripes may be highly beneficial to a firm (resulting in “harmonious advocacy,” in the terminology of Neuberger et al., 2021). In the first instance, aligning enthusiastically with a populist leader may result in largess from the government, either directly in the form of subsidies or advantageous regulatory treatment (Schuler et al., 2002), or indirectly through encouragement and favorable press from the ruling party, as in the case of My Pillow CEO Mike Lindell in the United States (Feldmann & Morgan, 2022). In situations where the CEO is seen as a kindred spirit and not merely opportunistic in political activity, the leadership of the firm may also be called upon to help shape policy directly (Pierson, 2017), elevating the position of the firms competitively and providing further dividends (Sallai & Schnyder, 2021). As Feldmann and Morgan (2021) note, this was the case with Brexit, as firms such as Wetherspoons were embraced by the government due to the high visibility of its owner in supporting Britain’s exit from the EU.

However, there is also a two-fold danger for a firm in embracing such populist activism. First, of course, is the issue inherent in any political activism, in that it may alienate many of its customers. This effect may also run in two directions. Either firms may find that they “get woke, go broke,” – e.g., see a backlash by consumers who do not share the populist ideology of the firm (which can reverberate through to firm valuation, as with American brand Gillette after to its ad campaign in 2019) – or they may be seen as behaving opportunistically by “true believers” of the ideology and thus subject to scorn (Mirzaei et al., 2022). But perhaps more ominously for a firm, there is also a risk that the firm will run too far ahead of the government’s desires, becoming too engrossed in the policies of populism – which rely on charismatic leadership – and thus presenting an obstacle to actually enacting these policies. In such an instance, firms may be seen as problematic for populist leaders and sidelined accordingly.

4.3. Hide away

A common tactic for firms in politically volatile environments is to try and keep their heads down and attempt not to attract attention, a stance which Feldmann and Morgan (2022) refer to as “implicit loyalty”. That is, firms may attempt to disengage from CPA entirely while at the same time attempting to satisfy their corporate political obligations at the barest of minima; according to Feldmann and Morgan (2022:356), firms display “a willingness to tolerate potentially problematic elements of the populist agenda” as the negatives of CPA far outweigh any benefits

which may accrue. Part of this choice may come about via classic collective action issues, as firms are reluctant to make the first move if they are not sure that others will be joining (and knowing that the first mover is also likely to get punished if no others join; see Curran & Eckhardt, 2020). In a similar vein, businesses may not necessarily be united against various populist policies, given the distribution of benefits and costs, and thus unanimity for action may be difficult. A classic example of this is the equivocation of many businesses with respect to Brexit (Feldmann & Morgan, 2021). As Bohle and Regan (2021) show, in any event, populist parties may also be pragmatic and may be willing to countenance a bargain where implicit loyalty is sufficient to allow a firm to avoid overt harassment.

4.4. Refocus on core business

Somewhat similar to the tactic of hiding away, this approach not only entails keeping a lower profile but also unwinding activities which may be perceived as inimical to the populist government. It is here where activities that may have benefit in another environment, such as CSR, can be threatened. Indeed, under a populist government, various activities such as broad-based CSR may be discouraged as being peripheral to firm operations or antithetical to populist ideals (Windsor, 2019); at the same time, the demands of CPO may stretch firm resources, forcing a choice between avoiding the political risk of angering the ruling elite and the development of new intangible assets (under a strict resources-based view). Firms may thus find themselves, in the eloquent phrasing of Den Hond et al. (2014), “playing on two chessboards” to balance CPO, an external obligation, with CSR, an internally generated and desired activity, leading most likely to core competencies once again being embraced and CSR minimized.

There is an additional angle to this effect, however, and that is the reality that populism may affect various facets of stakeholder management differently, especially given the varieties of populism. Under populism, some forms of CSR may be tolerated, including those which are internal to the firm, and a savvy firm may even be able to present some aspects of CSR as catering to the economic nationalism of populist thinking. For example, noting that global value chains are detrimental to a country’s employment situation, a firm may engage in CSR related to local value chains and promote the “superior” nature of domestic production as opposed to foreign production (Witt, 2019). Similarly, labor standards and employee-centric CSR may be employed to show the desirability of the home country (quality of life, standard of living) vis-à-vis a foreign location, once again demonstrating a harmony between CSR and populist ideals. Finally, CSR may also form a strategic safeguard against the political uncertainty accompanying populism, generating legitimacy in the eyes of the public and making a firm protected against populist depredations (Darendeli et al., 2021). In this sense, firms are not so much hiding out as they are attempting to support populist ideas but in a very narrow band. This approach would then allow for focusing resources on core business but under the cloak of CSR. Whether or not this approach is successful, however, is a matter of debate, as it is difficult to say that a firm is ever truly insulated from the depredations of government.

4.5. Fight back

It is always possible to turn the idea of CPO on its head within a firm, with leadership (or rank and file) coming to the conclusion that the political duty is opposition to the regime rather than kowtowing to the government’s desires (Curran & Eckhardt, 2020). Obviously, this is the riskiest strategy of all those presented here, as such a move can invite retribution, nationalization, unwanted attention, and/or alienate possible customers. On the other hand, as Szakonyi (2020) shows in Russia, businesspeople may choose to enter the political arena and reap fantastic dividends for their firms if they become successful, although there may be a measure of “if you can’t beat them, join them” in entering

the political arena in a system which is mainly closed. In any event, this approach eschews the idea of CPO in the service of the regime entirely and makes the calculation that the populist regime will not last forever. This stance may translate into a reputational boost if the populist side is indeed removed from power, but it is extremely risky as a short-term strategy when this eventuality is not guaranteed. It also helps to have strength in numbers. [Kinderman \(2021\)](#) relates the story of business associations in Germany fighting back against right-wing populism via the creation of an association of associations (a meta-meta-organization, if you like) to support collective action against the *Alternativ für Deutschland* (AfD), the German right-wing populist party.

4.6. Leave

Finally, the [Hansen et al. \(2004\)](#) findings showed that foreign firms are less likely to engage in political activity due to concerns about the institutional environment. However, the shifting costs and benefits in a populist regime – coupled with any strident anti-globalization or anti-foreigner sentiment stoked by the regime – might also force firms to exit a market altogether ([Feldmann & Morgan, 2021](#)). Even in situations where there is not an explicit bias against “foreignness” (as in pro-business variants of populisms), the internal constraints that foreign firms face may make it impossible for them to successfully fulfill their corporate political obligations ([Wöcke & Moodley, 2015](#)). And finally, there can be a galvanizing event so egregious that company values and stakeholder pressure make it very difficult for a firm to remain, especially if the egregious event continues for months. This can be seen most starkly in the exodus of Western firms after the Russian invasion of Ukraine in February 2022; according to the Yale Chief Executive Leadership Institute’s “List of Companies Leaving and Staying in Russia,”¹⁰ as of November 9, 2022, 320 companies had made a clean break with Russia and a further 499 had suspended operations inside the country. As KPMG, one of the “Big Four” accountancies noted in a press release, “[w]e believe we have a responsibility, along with other global businesses, to respond to the Russian government’s ongoing military attack on Ukraine... This decision... is a consequence of the actions of the Russian Government. We are a purpose-led and values-driven organization that believes in doing the right thing.”¹¹

Given this real-life example, we can conjecture that the decision to take up this alternative could be determined by the institutional distance between the firm’s home country and the market in question (i.e., with larger distances making it easier for firms to decide they will leave), or perhaps by the distance between firm values (especially for firms where values are inextricably linked with operations) and the foreign government. Alternatively, the decision might be forced upon companies by the government. For example, the explicit targeting of foreign firms by Russian authorities and passage of a bill allowing Russian entities to take over foreign firms in May 2022 is a good example of this. Similarly, in more “normal” circumstances than during wartime, the relocation of Central European University (CEU) from its home in Budapest to Vienna. After being an exemplar of free thought and a defender of rule of law since its inception in 1991, the CEU move became necessary after a law was passed in the Hungarian Parliament in 2017 expressly targeting the university ([Enyedi, 2018](#)).

Much as with the specific activities required under CPO, and its extent of coverage, these options for businesses under populism are also extremely context dependent, and not all may be available to all firms under each variant of populism (and some can be exceedingly dangerous if the firm does not “read the room” correctly). Moreover, the strategy

that may work best in a particular situation also is highly dependent upon if a firm is local or if it is an MNE; that is, it very difficult for a local firm to “leave” their home market entirely, while international firms which utilize supply chain-critical manufacturing cannot be so cavalier as to fight back. The optimal strategy may also shift if a populist government is either anti- or pro-business or demands low or high levels of CPO. For example, firms operating under anti-business populism may find it to be a sub-optimal strategy to fight, especially if they are local and under a high level of CPO (where the populists might have no qualms about seizing a firm) or foreign and under a low level of CPO (where fighting would bring unnecessary attention to the firm and especially its “foreignness”). On the other hand, living under a pro-business variety of populism, and the possibility of government assistance, makes cultivating connections important for both local and foreign firms, but requires refocusing (for foreign firms) under conditions of high CPO, namely as a way to avoid unwelcome attention and interference on how a business should be run “better;” at the same time, attempting to outdo the local government as a foreign firm is likely to have a low probability of success, as it just reinforces the perception of a populist government that its level of CPO is correct (if even a foreign firm agrees!). In any event, studying *how* firms respond to their CPO is a matter of empirics, and an area where researchers should be kept busy for years.

5. Conclusion

There is a dark side of stakeholder capitalism, most practically typified in the rise of populist governments globally. Populism unites all possible stakeholders of a firm into one specific stakeholder, the political elite of a country, while at the same time attempting to force uniform strategies on a firm. Rather than serving a myriad of stakeholders, all of whom may prove some beneficial input to the operations of a firm, the sole stakeholder becomes the government, who may not (and likely does not) have the best interests of the firm at heart. Indeed, it raises the question, what does a firm who is committed to stakeholder capitalism do when your stakeholder is evil?

This paper has attempted to start a dialogue on this idea and, in particular, on how populist governments demand specific obligations of firms in order to operate. Surveying a brief demarcation on two varieties of populism, we have introduced the idea of corporate political obligation, showing how firms are expected to act vis-à-vis a populist government. Drawing on ideas from the corporate political activity literature, as well as nonmarket strategies and institutionalist tenets, our analysis has shed light on the modalities which are expected by populist governments, and how firms may respond. Providing some strategies for business, we have sketched a first attempt to understand the political obligations of firms under extreme and authoritarian governance and how they may be mitigated.

The main limitation of our current analysis is, of course, that not every type of populist government fits neatly into the definitions shown here. For example, is Xi Jinping in China pro-business or anti-business? Additional dimensions need to be added, such as degree of centralization (germane for Russia and China) or ideology (one can be right-wing and anti-business, or even left-wing and pro-business). Moreover, given the extreme context-dependence of populist governance, it may be difficult to draw broad-based conclusions for firms and their strategies, instead only providing a broad toolbox of ways in which to mitigate this new political risk. In different contexts, populist governments may also face broader or deeper or fewer or greater constraints. For example, the authoritarian populism of Vladimir Putin has become all-encompassing with Russia’s invasion of Ukraine, while the populism of convenience of Donald Trump was immensely constrained by existing institutional measures, even in the face of the January 6th riots.

As noted at the end of the last section, there needs to be substantive empirical work done (something that we are actively pursuing but invite others to partake in) on understanding which actions firms take in which

¹⁰ List and methodology available at <https://www.yalerussianbusinessretreat.com/>.

¹¹ See the full text of the statement at <https://home.kpmg/xx/en/home/media/press-releases/2022/03/important-update-russia-belarus.html> (“IMPORTANT UPDATE: Russia/Belarus,” March 6, 2022).

variety of populism and how they fare. Finally, we have only sketched a theoretical basis for understanding firm political obligations under populism, and empirical approaches to understanding the types of obligations demanded in different context are both necessary and supplementary (and, it should be noted, also underway by the current authors). However, despite these limitations, as a first attempt to understand the constraints facing firms under populism – especially in the presence of corporate political obligations – the schema outlined here covers many of the issues which firms will continue to face into the future.

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