

Populist Syndrome and Nonmarket Strategy

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ABSTRACT Although recognized as a defining feature of the current political era, populism and its implications for non-market strategy remain undertheorized. We offer a framework that (a) conceptualizes populism and its progression over time; (b) outlines the risks populism generates for firms; and (c) theorizes effective nonmarket strategies under populism. Our framework anchors the political risk profile of populism in three interdependent elements: anti-establishment ideology, de-institutionalization, and short-term policy bias. These elements jointly shape the policymaking dynamics and institutional risks for firms under populism. Our analysis shows how firms can calibrate two nonmarket strategies – political ties and corporate social responsibility – to mitigate populism-related risks. We specify how particular configurations of political ties and CSR activities, aimed at the populist leadership, bureaucrats, political opposition, and societal stakeholders, minimize risk under populism. Further, we theorize how the effectiveness of specific attributes of political ties and CSR – namely their relative covertness (more vs. less concealed) and their relative focus (narrowly vs. widely targeted) – varies as a function of firm type (insiders vs. outsiders) and the probability of populist regime collapse. Finally, we address how motivated reasoning may bias firms' assessments of regime fragility and resulting strategy choices.

Keywords: corporate political activity, nonmarket strategy, political institutions, political risk, populism

INTRODUCTION

In 2021, *The Wall Street Journal* concluded that the rise of populism is a 'tectonic' shift for firms such that the 'corporate [sector] ... needs a new political strategy' – yet 'it is having trouble developing one' (Seib, 2021). What are the political risks^[1] faced by firms under populism? What strategies can firms deploy to mitigate these risks? Extant scholarship

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lacks a unified theory to address these questions. Yet their empirical urgency is clear: today, more than two billion people live under populist regimes (Lewis, 2019), i.e., countries with a populist leader, and the recent rise in the vote for populist forces across the globe is unprecedented since the Second World War (Aguilera et al., 2019).^[2] Populism is defined as a political ideology dividing society into two opposing groups: the ‘pure people’ versus the ‘corrupt elite’ (Mudde, 2004). This ideology gives rise to the ‘anti-system politics’ (Hopkin, 2020) increasingly experienced in both advanced and developing democracies. Our new theoretical framework rigorously conceptualizes populism-related risks for firms and, furthermore, specifies how firms should adapt their non-market strategies (NMS) to manage these risks.

Our inquiry builds on the scholarship on institutional weaknesses and ‘institutional voids’, which examines the macro-level background conditions, such as poor governance, that generate political risk (Dieleman et al., 2022; Doh et al., 2017; Henisz, 2000; Holburn and Zelner, 2010). We also draw on the nascent legitimacy-based approach to political risk investigating the appropriateness of the firm’s goals in the eyes of the government in a given societal context (Henisz and Zelner, 2005; Stevens et al., 2016). Finally, we leverage the substantial NMS literature on political activity and corporate social responsibility as avenues to mitigate political risk (Hadani and Coombes, 2015; Liedong et al., 2017; Mellahi et al., 2016; Sun et al., 2021).

While offering the key building blocks for our framework, extant scholarship is insufficient to help firms (and scholars) understand populism for three reasons. First, while past work has examined discrete institutional markers of risk such as political discretion, corruption, or weak rule of law, it often takes a static and compartmentalized view of these institutions (Dieleman et al., 2022). However, we show that populism is multidimensional and entails ongoing institutional change. Second, extant institutional research on NMS stresses equilibrium analyses (Dorobantu et al., 2017) while acknowledging the need for more research into firms’ strategic adaptations during periods of political flux (Aguilera et al., 2019). Dynamic risk requires a dynamic response – and a theory that takes intertemporal contingencies seriously. Third, while it is widely accepted that the institutional environment shapes NMS (Beazer and Blake, 2018; Holburn and Van den Bergh, 2008; Markus, 2012), existing scholarship lacks a theory of firm-level NMS responses to the populist threat. Furthermore, the primary areas of non-market research – namely the firms’ political and social activities – remain poorly integrated theoretically (Den Hond et al., 2014; Mellahi et al., 2016; Sun et al., 2021). Populism, however, is the ultimate socio-political nexus since populist policies exploit and weaponize social grievances. In this context, firms must formulate their political and social strategies simultaneously.

Our framework contributes by filling these gaps in the literature to theorize contemporary populism from the firms’ perspective, building on the pioneering work by Devinney and Hartwell (2020).^[3] First, we argue that the political risk profile of populism entails a unique combination of three mutually reinforcing elements: anti-establishment ideology, de-institutionalization, and short-term policy bias. By tracing the analytical interdependencies between seemingly discrete risks, we transcend the orthodox focus on isolated ‘symptoms’ to diagnose the underlying ‘syndrome’.^[4]

Second, our study highlights the dynamic rationale driving the populist syndrome and firms’ NMS. Our framework explains how, as populism evolves in a

given country, the political risk landscape increasingly deteriorates as the risks inherent in its anti-establishment ideology are compounded by those stemming from de-institutionalization and short-term policy bias over time. In other words, we move beyond identifying institutional voids by theorizing the *political process* through which such voids emerge under populism and the implications of this process for effective NMS. Furthermore, we examine how a potential collapse of populism presents firms with intertemporal trade-offs in their NMS formulation, and how they can navigate these challenges.

Third, we extend existing theory on two of the most significant aspects of NMS – political connections and CSR investments – to the populist setting. We specify how particular configurations of political ties and CSR activities, aimed at the populist leadership, bureaucrats, political opposition, and societal stakeholders, minimize risk under populism. Further, we theorize how the effectiveness of specific attributes of political ties and CSR – namely their relative covertness (more vs. less concealed) and their relative focus (narrowly vs. widely targeted) – varies as a function of firm type (insiders vs. outsiders) and the probability of populist regime collapse. Overall, our framework offers a comprehensive playbook for firms' NMS under populism.

THE POPULIST SYNDROME AND POLITICAL RISK

We anchor our framework in institutional theory broadly understood. We build on work that draws on new institutional economics with its focus on transaction costs and material incentives (Dorobantu et al., 2017; Holburn and Van den Bergh, 2008), as well as on sociology with its emphasis on legitimacy concerns and normative drivers (Stevens et al., 2016; Suchman, 1995).

While undertheorized in management research, populism has received greater attention in other disciplines. Yet the applicability of theories from other fields to firm-level challenges is limited. On the one hand, the discursive approach (Hawkins, 2010; Laclau, 2005) – conceptualizing populism as an anti-establishment ideology – is insufficient as a guide for formulating firm strategy. After all, populist *rhetoric* (used as a proxy for ideology in this approach) may never translate into *policy*. While of intrinsic interest to political scientists, this approach captures only the broadest potential for populism to hurt the firm's bottom line.

On the other hand, the policy-based approach to populism identifies the latter with specific policies related to redistribution and/or protectionism (Dornbusch and Edwards, 1991; Rodrik, 2018). Although many populist politicians have indeed adopted such policies (which, in turn, certainly impact firms), populism has no monopoly on redistribution or protectionism, both of which can *also* be pursued by decidedly non-populist incumbents representing established programmatic parties (consider the social-democratic parties throughout Europe, for example). While economists are understandably interested in policies per se, our goal is to identify what is unique about populism from the firm's perspective. To achieve this, we focus on the overarching logic of political systems with populist incumbents. Next, we integrate ideological, institutional, and policymaking aspects of this logic which together comprise the 'populist syndrome'.

Anti-Establishment Ideology

We follow the literature in treating anti-establishment ideology as a core element of populism. This ideology separates society into two homogeneous and antagonistic groups, ‘the pure people’ versus ‘the corrupt elite’, and views politics as an expression of the general will of the people (Hawkins and Kaltwasser, 2017; Mudde, 2004).

As ideology, populism can manifest itself in a wide range of political systems. However, we limit our inquiry to *ex ante democratic* populism, i.e., to countries in which populist incumbents were elected into power through free elections (as we argue, populism may substantially weaken democracy *ex post*, i.e., after populists come to power). Hence, *ex ante authoritarian* populism – e.g., that of China under Xi Jinping or Mao (Perry, 2015), or of the Soviet Union under Khrushchev (Nelson, 1984) – is outside the scope of our inquiry.

Anti-establishment ideology has implications for the type of candidates likely to win office. In particular, populist office-seekers who are political outsiders can more credibly claim to represent the masses against the establishment than career politicians (Barr, 2009). Moreover, the legitimacy of political outsiders is more likely to be rooted in personal charisma compared to career politicians who can rely on their political track record, the programmatic platform of an established party, or the material support of such a party (Hollyer et al., 2020).

While populists interpret the world through the good-vs-evil lens of morality (Hawkins, 2010), their underlying ideology is ‘thin’ (Stanley, 2008) or limited in its original beliefs and ideas. Hence, populism often hijacks elements from other more established ideologies when these resonate with ‘the heartland’ as the target audience of populist leaders. Left-wing and right-wing established ideologies, accordingly, provide ideational fillers for many populist regimes (Mudde and Kaltwasser, 2013; Rodrik, 2018). In its left-wing variant, populism casts *class* as the definitive cleavage between the people and the elites (qua ‘fat cats’), hence facilitating redistributive policies and inclusive enfranchisement. In its right-wing variant, populism casts *country* or *nation* as the definitive cleavage between the people and the elites (qua ‘traitors’), hence facilitating protectionist policies and exclusive enfranchisement. Right-wing populism may also emphasize law and order or military strength (Bonner, 2019). The distinction between left-wing and right-wing populism is often not clear-cut given how opportunistically populists embrace, discard, or combine elements from more established (and less ‘thin’) ideologies.

Anti-establishment ideology matters from the firm’s perspective because it undermines institutional integrity and alters the logic of policymaking, as the next two sections show. Further, anti-establishment ideology drives the separation of firms into insiders and outsiders, as we specify later. Taken together, these processes shape firms’ risks and NMS choices.

De-Institutionalization

‘Democracy is like a train; you get off once you have reached your destination’ (The Economist, 2016). In his disarmingly frank statement, Turkey’s populist leader, Recep Tayyip Erdoğan, captured a key institutional repercussion of populism: populism uses

democracy but has little interest in its long-term survival. We refer to the second core element of populism as the dynamic process of ‘de-institutionalization’, defined here as the progressive weakening of institutional safeguards and procedures of modern democratic governance (Tsebelis, 2011) as the populist regime becomes more established. Such safeguards, similarly to ‘veto points’, include the separation of powers, the presence of independent media, the influence of technocratic experts, among others.

The tenure of Donald Trump in the US illustrated the process of de-institutionalization through which the former president, communicating directly with his electoral base via Twitter, sought to weaken the institutional constraints on his presidency from other branches of government, from his political party, from the media, and from independent policy experts. As the examples of Jair Bolsonaro in Brazil, Thaksin Shinawatra in Thailand, or Andrés Manuel López Obrador in Mexico demonstrate, the US experience is far from unique. In each case, these populist incumbents undermined the institutional constraints on their mandate.

De-institutionalization is a consequence of the anti-establishment ideology for two reasons. First, the expression of ‘the general will’ of the people by the populist incumbent renders any institutional intermediaries or constraints on this process superfluous. Indeed, ‘the tendency of all populist [regimes] ..., be they right- or left-wing, [is] to emphasize the personification of democracy in the ... leader’ (Rode and Revuelta, 2015, p. 77). Second, the black-and-white morality inherent in the populist ideology precludes organic change via established political channels. ‘Evil’ elites cannot be vanquished through the institutional system that had served their ascendance (Hawkins, 2010). In other words, the anti-establishment ideology is anti-institutional (and proto-revolutionary) at heart. At the same time, de-institutionalization also *reinforces* the anti-establishment ideology. This reverse effect, for example, materializes when the institution of independent media is weakened, expanding the boundaries of permissible public discourse that becomes progressively untethered from facts.

While the methods through which populists progressively weaken the existing institutional order vary widely, we posit that they generally fall into the categories of avoidance, subversion, and elimination. By avoiding existing institutions, the incumbent relies on alternative institutional channels. For example, by using referendums and plebiscites, a populist may circumvent policy ratification by other government organs (Barr, 2009). Although the existing institutions may remain intact, their avoidance by the incumbent can ‘starve’ these institutions of ‘users’, hence decreasing institutional legitimacy over time. When existing institutions are subverted, the incumbent undermines their functionality without changing their formal attributes. For example, by populating formally independent institutional bodies (e.g., courts, parliaments and bureaucracies) with loyalists, the incumbent can neutralize their functionality as checks and balances (Levitsky and Loxton, 2013). To ensure that such appointees remain loyal, incumbents may appoint relatives or ‘regular people’ lacking proper qualifications to important positions in government, while side-lining technocratic experts that might challenge the incumbent’s policies (Fukuyama, 2014). Finally, irksome institutions may be altogether eliminated through constitutional changes (as has happened in Bolivia and Ecuador) or brute force (e.g., independent media outlets being shut down in Hungary).

Populist de-institutionalization can be *popularly supported* rather than simply imposed, i.e., driven by demand-side factors as much as supply-side factors. We identify three such factors here. First, the weakening of the incumbent's 'horizontal' accountability – the loosening of checks and balances – is often legitimized by the (alleged) strengthening of the incumbent's 'vertical' accountability vis-à-vis the voters (Levitsky and Loxton, 2013). While in transit to autocracy, the voters may paradoxically feel more empowered (than before the populist incumbency) through referendums and other tools of 'direct democracy' (Barr, 2009) even while voting for constitutional and legal reforms that reduce democratic accountability for their populist leaders. Second, the 'strong hand' of a populist incumbent can be perceived by his electoral base as protection against cultural or economic insecurities (Inglehart and Norris, 2017). Third, given the perceived urgency of required policy interventions under populism (Fieschi, 2019), voters may willingly sacrifice some institutionalized accountability mechanisms for effective and quick policy implementation that avoids the potential gridlock of checks and balances. These demand-side factors explain why even institutionally robust democracies can succumb to de-institutionalization.

Short-Term Policy Bias

The final core element of the populist syndrome concerns the logic of policymaking.^[5] We argue that populists are likely to adopt policies that deliver immediate benefits which are ultimately outweighed by much larger long-term costs. The general proclivity of democratic policymaking to favour short-term results given electoral cycles has, of course, been well-studied (e.g., Rodrik, 1996). Our argument is that, relative to non-populist regimes, populism critically *exacerbates this short-term policy bias* by (a) shortening the temporal gap between policy adoption and the perception of benefits received by the populist's supporters, and (b) further increasing the size of future policy costs, i.e., lowering the net present value of a given policy's economic impact.

The mechanisms generating this short-term policy bias include three demand-side factors and two supply-side factors. Consider the demand for policy first. As anti-establishment candidates, populists often come to power during deep crises of the status quo when the 'political class' cannot offer credible solutions to voters. The voters' openness to unorthodox (populist) solutions here is often born of acutely experienced deprivation (Barr, 2009). There is, to paraphrase, little patience for empty promises and politics as usual. Nowhere does Keynes' famous dictum 'in the long run we are all dead' ring louder than in the heart of a populist voter. The second demand-side factor concerns the legitimacy of political candidates. As argued previously, populists as 'outsiders' often rely on personal charisma. However, charisma alone is a fickle foundation of political support. Populists need fast policy 'wins' to prove to their constituents that they were right to bet on a politically unknown quantity. Third, voters may, at times, prefer incompetent candidates who, in turn, are more likely to adopt starkly unsustainable policies. In this vein, Di Tella and Rotemberg (2018) show that if voters think that a *competent* candidate may use her skills against voters' benefit, they may prefer an *incompetent* candidate who entirely depends on her electoral base.

Finally, two supply-side factors matter as well. To begin, populist leaders present themselves as doers rather than thinkers – as people of action, not words – 'not afraid to take difficult and quick decisions' fuelled by 'anti-intellectualism and a sense of urgency' (Mudde

and Kaltwasser, 2017, p. 64). Such a self-image of populist incumbents hints at the micro-level underpinnings of short-term policy bias. Another supply-side factor explains why the (long-term) economic costs of populist policies typically far eclipse their (short-term) benefits (Dornbusch and Edwards, 1991). Because de-institutionalization side-lines technocratic policy experts, populist incumbents are more likely to ignore the real long-term costs of policies that promise to deliver the (urgently needed) short-term benefits to their constituents. This process is often reinforced by the personal qualities of populist incumbents who, as outsiders, typically lack the proper experience to identify and execute sustainable policies. Surveying right-wing European populism, *The Economist* (2021) observes that ‘those who are most willing to lead upstart movements are often the least suited for the long-term task ... Traits that lend themselves to insurgency do not translate well into governance’.

Importantly, while populist policy bias creates problems in the long run, it inevitably produces short-term winners who become *vested interests in the system* despite its unsustainability (Hellman, 1998). Short-term policy winners under populism thus actively support both the anti-establishment ideology and the ongoing de-institutionalization, which enable the policy bias benefitting the winners.

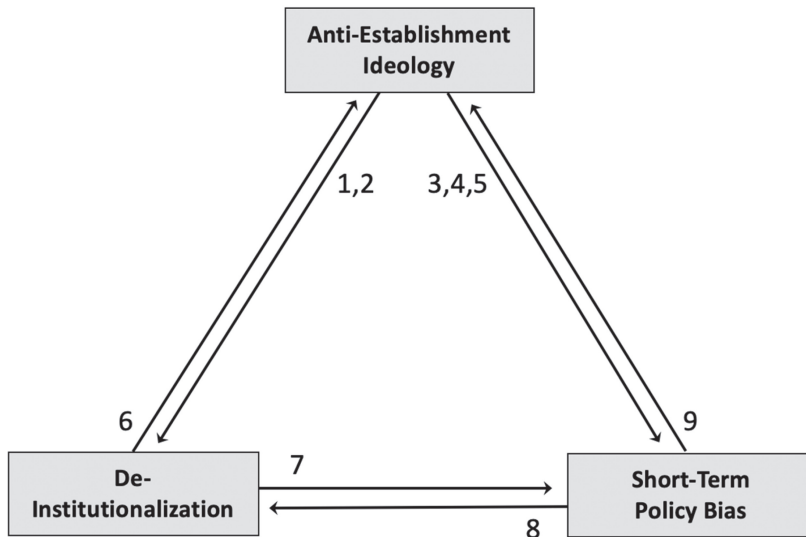
Political Risk under the Populist Syndrome

The populist syndrome is a mutually reinforcing set of beliefs, institutional processes, and policymaking logics featuring an anti-establishment ideology, de-institutionalization, and short-term policy bias.^[6] Figure 1 identifies nine specific interdependencies between these core elements, highlighting the utility of conceptualizing distinct institutional and policy-related consequences of populism as a unified ‘syndrome’. Meanwhile, Figure 2 provides an illustrative timeline of the populist syndrome, differentiating between left- and right-wing cases, since the end of the Cold War. This figure presents cases where all three core elements of populism, as conceptualized here, have been well-documented.

The populist syndrome evolves over time, as the linkages identified in Figure 1 take hold. While anti-establishment ideology defines populist regimes immediately after the assumption of power by a populist leader, de-institutionalization and the full consequences of short-term policy bias take longer to manifest themselves. Given this dynamic process, what are the specific political risks generated by the three core elements of the populist syndrome?

As a consequence of their anti-establishment ideology, populist regimes are built on cleavages between insiders and outsiders. Such emphatic ‘us vs them’ ideology leaves little scope for neutrality or nuance in how key socioeconomic actors are perceived by the regime. When a populist assumes power, firms will see themselves cast as insiders (‘us’) or outsiders (‘them’), and outsider firms will suffer a relative deficit in *political legitimacy*, or the perception by the government that the firm and its activities are desirable or appropriate (Stevens et al., 2016). How firms become categorized is primarily a function of how structurally aligned their activities are with the new populist regime and its agenda, i.e., the extent to which the firms’ market activities promote the interests of the regime and its ‘people’.

Differences between right- and left-wing populism help shape the categorization of firms as insiders versus outsiders. Right-wing populists, who typically prioritize national economic sovereignty and interests, are likely to cast as insiders those firms that orient



1. 'General will of the people' as legitimacy basis rejects institutional intermediation
2. Moralizing approach to policy discredits "established" (i.e. "old guard") institutions
3. Crisis-rooted ideology necessitates immediate policy benefits for populist constituencies
4. 'Outsider' incumbents (not career politicians) need quick policy wins for credibility
5. "Thin" ideology (lacking intellectual foundation) facilitates unsustainable policies
6. De-institutionalization weakens boundaries on permissible political discourse (e.g. via marginalizing independent media)
7. De-institutionalization weakens guidelines for policymaking (e.g. via sidelining technocratic experts)
8. Short-term policy winners become vested interests in de-institutionalization
9. Short-term policy winners become vested interests in anti-establishment ideology

Note: The relationships are numbered for convenience and do not need to occur sequentially.

Figure 1. The Logic of the Populist Syndrome

their value adding activities (jobs, investment, RandD, taxes) more towards the domestic market. Thus, small and medium businesses, whose operations tend to be less internationalized, often win favour with right-wing populists. The early-stage Erdoğan regime in Turkey, for example, lionized SMEs and benefited them by reducing red tape and facilitating access to government contracts (Buğra and Savaskan, 2012). Conversely, right-wing populists are likely to cast as outsiders foreign multinationals and domestic firms with substantial presence abroad (hence lacking allegiance to the homeland and its people). Similarly, right-wing populists such as Viktor Orbán, Vladimir Putin, and Erdoğan have fought to limit the sway of foreign creditors over their respective economies (Simon, 2020). Right-wing populists' concern with projecting influence abroad may also elevate to insider status national businesses that generate strategic advantage, strength, and prestige for the state on the international stage.

By contrast, under left wing populism, firms that enhance economic opportunities and access to jobs, products, and services for the poor are likely to be treated as insiders. In

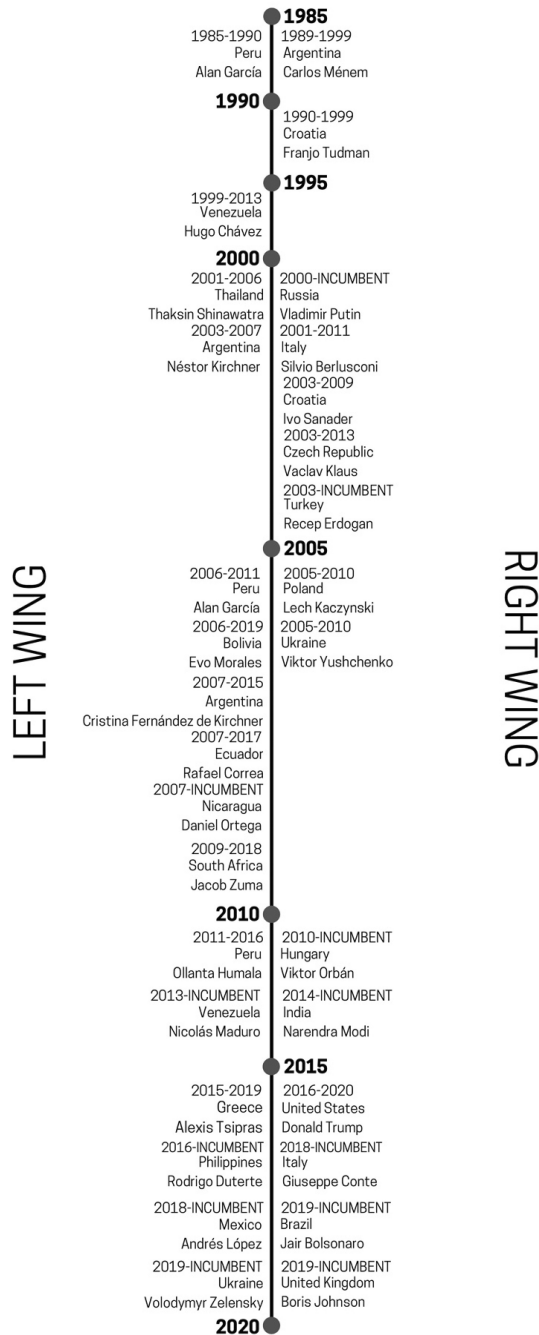


Figure 2. Populist Syndrome after the Cold War

Note: We selected the cases by (a) identifying an anti-establishment ideology among the populist incumbents based on the Global Populism Database; (b) identifying patterns of de-institutionalization, if any; and (c) identifying short-term policy bias and associated costs for firms, if any. The list of secondary literature for (b) and (c) can be readily provided for all cases. The Global Populism Database (Hawkins et al., 2019) measures the level of populist discourse in the speeches of country leaders from 2000 onwards, covering over 1000 speeches from 216 leaders from 66 countries.

addition, because governments often have limited resources, firms that help the government deliver goods and services to the poor are also structurally aligned insiders. For example, agricultural firm Pronaca received the government endorsement in Ecuador for its participation in the program ‘Socio Solidario’ whereby participating firms make their goods available for purchase with government-issued stamps given to low-income households. State-owned enterprises also often fall into the category of insiders while privately owned competitors are deliberately marginalized. On the other hand, firms that are seen as primarily advancing the interests of the country’s historical economic elites are viewed as outsiders. For example, the ‘democratic and cultural revolution’ proclaimed by Evo Morales changed Bolivia’s constitution and directly threatened the country’s old business elites by promising to redistribute land to the poor (Wolff, 2016).

Structural alignment with the populist ideology is not the only signifier of insider / outsider status. Personal loyalty to the political leadership matters too. In non-populist democracies, actors are legitimated through their adherence to *institutionalized processes* (e.g., the observance of election results for politicians, or the compliance with campaign contribution disclosures for firms), even if they sharply disagree with political incumbents. Populist ideology, on the other hand, discredits established institutions stressing instead the direct links between the leader and ‘the people’. For firms, this means that *personal loyalty* to the populist leadership provides an alternative basis for political legitimacy, and may, to some extent, compensate for the ‘wrong’ structural alignment. In Russia, for example, the big-business ‘establishment’ from the pre-Putin era – despite being demonized by Putin in his electoral campaign – enhanced its political legitimacy by joining Putin-endorsed business associations, while also conducting ‘geopolitical volunteering’ (bankrolling Western politicians in Europe and the US) in an apparent effort to help the Kremlin extend Russia’s influence abroad (Markus, 2007, 2017).

How exactly may firms perceived as outsiders be targeted by a populist regime? We argue that outsider firms face two specific risks connected to the populist ideology. First, outsider firms may be (further) *de-legitimized* by populist incumbents. Firms may, for example, be cast as ‘anti-labour’ or ‘unpatriotic’, depending on whether populist leaders are drawing on left-wing and/or right-wing ideological scripts. Sometimes, this vilification is sector- or group-based. But the condemnation may also single out and shame individual firms, as did President Trump when attacking General Motors on Twitter for the company’s Mexico-based production line (‘Make in USA or pay big border tax!’) (Wiener-Bronner and Horowitz, 2018). Such de-legitimization is important both because it sets the stage for discriminatory state policy (see next point) and because it may provoke a societal backlash (including protests, consumer boycotts, etc.).

Second, and more tangibly, these outsider firms may be harmed by regulations and policies adopted by the populist regime. To be consistent with the anti-establishment ideology and the de-legitimization of outsider firms, these policies will be discriminatory and/or exclusionary, exacting greater costs (e.g., taxes, performance requirements) and affording fewer benefits (e.g., state contracts and subsidies) to outsider firms than to insider firms. For example, Hungary’s President Orbán has subjected foreign investors to ‘punitive taxes ... and unpredictable regulation’ (Byrne, 2016). While insider firms are shielded from being deliberately targeted by the populist incumbent, note that insiders may suffer collateral damage from broad policies such as

protectionism or redistribution that are crucial to the populist agenda yet difficult to craft without affecting any insider firms (e.g., US farmers suffering losses from trade wars under the Trump administration).

The flipside of these risks to outsider firms is that populist regimes provide opportunities to insider firms. The regime legitimizes insider firms as being ‘pro-labour’ or ‘patriotic’ and favours them through policies and regulations, either explicitly and/or as a by-product of an unlevel playing field created through outsider discrimination.

Because the anti-establishment ideology, and particularly the salience of the insider/outsider distinction, defines populist regimes from their inception, the main political risks during early populist incumbency are de-legitimization and regulatory discrimination of outsider firms.

Proposition 1a: From the outset, the populist syndrome generates the risks of de-legitimization and regulatory discrimination for outsider firms.

De-institutionalization and short-term policy bias suggest that – as the populist incumbency matures – political risk will *increase over time* due to the evolving nature of governance (how policy decisions are made) and the impact of policy (the costs of policies for economic actors). To begin, populist de-institutionalization does not happen overnight. The creeping personalism of the populist syndrome incubates within the formal constraints of democracy before hatching, e.g., via the side-lining of technocratic experts, or the rhetorical attacks on institutions. If unchecked, this process increasingly rattles and destroys the institutions of democracy and the rule of law. Indeed, the institutional avoidance, subversion, and elimination conceptualized earlier often unfold sequentially. As de-institutionalization advances, the trajectory of the populist syndrome approaches erratic authoritarianism,^[7] with the key risks to firms comprising the declining protection of property and contractual rights, corruption, and policy volatility.

Outsider firms will still be targeted as de-institutionalization takes hold. However, the loosening of institutional constraints creates risks for insider firms as well. For example, Putin’s regime has harmed erstwhile insiders (that had previously benefited from Putin’s early emphasis on Russia-oriented firms) through the expropriatory schemes of institutionally unchecked state security services (Myers and Becker, 2014). While political favouritism benefitting insiders does not disappear, insider firms can be more easily ‘unfriended’ by the populist incumbent freed from constraints. As the importance of the incumbent’s electoral base to her hold on power declines, for example, she may ignore the insider status of certain firms without fearing backlash from voters.

Meanwhile, the adverse consequences of short-term policy bias – especially macroeconomic and socio-political instability – present growing risks to firms over time. Empirically, the costs of short-term policy bias have been well-established for left-wing populism in Latin America featuring unsustainable macro- and micro-policies to attain instant redistributive effects with devastating long-term consequences. In the long run, such policies hurt the group they were designed to help, i.e., the poor and working classes. By ignoring constraints on public sector expenditure and monetary expansion for

political gain, at times combined with nationalizations and expropriations, left-wing populist policies typically accelerate inflation, trigger capital flight, and necessitate currency devaluation (Dornbusch and Edwards, 1991), contributing to policy unpredictability and, in extreme cases, long-term economic decline accompanied by increases in poverty, crime, and socio-political turmoil.

Our theoretical framework shows why right-wing populism, too, exhibits short-term policy bias. This bias, we argue, is driven by the logic of populist policymaking that extends beyond left-wing policy content. In the case of right-wing populism, the consequences of economic isolationism and/or geopolitical and military adventurism (which can paradoxically coexist in the nationalist ideology) may, in the long run, result in the loss of foreign markets and FDI; the loss of foreign human capital; geopolitical instability; and budget shortfalls (Van der Waal and De Koster, 2018). When asked which economists supported Brexit, for example, the UK cabinet minister Michael Gove was only able to respond that ‘people in this country have had enough of experts’ (Mance, 2016). Russian firms meanwhile have suffered under the heavy fallout from sanctions as a result of Putin’s military adventurism abroad. Thus, while extant scholarship stresses the different policy effects of left- vs. right-wing populism (Feldmann and Morgan, 2022; Guriev and Papaioannou, 2020), our framework theorizes their deeper, shared governance and policymaking dynamics, which generate a common focus on short-term results and progressively greater risks for firms.^[8]

As with de-institutionalization, the negative impact of short-term policy bias on political risk exhibits a temporal lag, materializing later in the populist incumbency. Moreover, once the long-run macroeconomic and/or political instability materializes, insider firms are likely to be adversely affected (e.g., Venezuelan firms close to the populist leadership suffering losses as the country’s economy collapsed under Nicolas Maduro). Thus, overall, the cumulative *level* of political risk to *all* firms grows as the linkages between the three core elements of the populist syndrome (Figure 1) deepen, and as the fallout from de-institutionalization and short-term policy bias intensifies. To summarize:

Proposition 1b: In the long run, the populist syndrome generates the risks of weakened property and contractual rights, policy unpredictability, as well as socio-political and macroeconomic instability, which increasingly affect both insider and outsider firms.

NONMARKET STRATEGY UNDER THE POPULIST SYNDROME

Having theorized the unique constellation of institutional and policy risks under populism, we turn to the analysis of firms’ nonmarket strategies. We argue that political connections and investments in CSR – when calibrated for the populist syndrome – are particularly effective at reducing political risk under populism. We make two assumptions to gain analytical traction. First, we restrict firms’ choices to different investments in nonmarket strategies and do not consider complete exit from the market as an option,

i.e., we assume that operating under a populist regime remains net-beneficial. Second, we assume that political leaders are motivated by power maximization.^[9]

Political Connections and the Populist Syndrome

Firms' ties or connections to political actors span a broad range of phenomena including interpersonal relationships; formal organizational linkages (e.g., government as a shareholder); personal-organizational linkages (e.g., politicians on corporate boards); or revolving door arrangements (executives moving between government and corporate roles) (Sun et al., 2012). Theoretically, what unites these diverse manifestations of political ties is their long-term, ongoing nature which facilitates trust and relationships transcending the immediate policy issues of the time – as compared to transactional exchanges that are more fleeting and focused (Hillman and Hitt, 1999).

Scholars studying both developed and emerging markets have highlighted the significance of firms' relationships with political actors such as elected representatives, political elites and bureaucrats (Faccio, 2006; Hillman, 2005; Peng and Luo, 2000). Political connections are important because they facilitate the exchange of favours and information between firms and political actors (Hillman and Hitt, 1999; Tihanyi et al., 2019). Multiple studies find that political connections benefit firms in terms of better access to state resources and favourable policies (Fisman and Wang, 2015; Leuz and Oberholzer-Gee, 2006).

However, the value of political ties to firms is not always assured and may, in fact, be negative (Liedong et al., 2017; Sun et al., 2012). Shifts in the market environment may render specific ties obsolete while firms find them difficult to unwind. Political shifts may trigger retribution by new powerholders against firms linked to the *ancien régime*. Finally, government partner opportunism may lead to the excessive capture of 'relational rents' by the state.

This raises the question of political ties' effectiveness under *populist* regimes. When a populist government first comes to power, most firms are unlikely to have strong ties to the new regime. Populists often assume power as outsiders who are not part of the political establishment. Hence, politically active firms will typically have pre-existing ties to influential political actors challenged by the new populist government. Given that political ties are not costless, should firms seek to establish them with populist incumbents? We argue that political ties can be particularly effective for risk mitigation under populism, especially if they are tailored to the specific features of the populist syndrome. Below, we elaborate three mechanisms to support this argument.

Policy uncertainty. Populist leaders are elected to disrupt the legacy of the political establishment, making them intrinsically inclined to fundamentally change policies governing the economy. As previously theorized, short-term policy bias (leading to unsustainable policies) and de-institutionalization (leading to personalized policymaking) critically exacerbate this policy uncertainty. Against this backdrop, ties to the populist leadership can buffer firms from severe policy volatility (Peng and Luo, 2000; Zhang et al., 2016). By facilitating access, political ties enable firms to be better *informed* about the populist government's policies and preferences (Hillman and Hitt, 1999), which helps

them anticipate and proactively adapt to shifting policies (De Villa et al., 2019; Oliver and Holzinger, 2008).

Furthermore, in uncertain policy environments, firms are more likely to engage in political activity so as to better control their environment and *influence the political process* (Holburn and Zelner, 2010; Li et al., 2006; Meznar and Nigh, 1995; Oliver and Holzinger, 2008). Political ties are significant here because they allow firms to lobby the populist leadership directly for their preferred policies and to do so more effectively since, through repeated engagement, political ties help firms build trust with the regime's leaders (Sun et al., 2012) and better understand their patterns of behaviour and preferences (Bonardi et al., 2005).

The decay of institutions also means that firms cannot rely on impartial adjudication if they wish to contest policy changes (Beazer and Blake, 2018). The failure of institutions such as courts to effectively intermediate state-business conflicts puts a higher premium on direct political ties for the focal firm as a pathway for conflict avoidance and resolution.

Overall, given the potentially extreme policy uncertainty and institutional weakening, cultivating ongoing ties to the populist government will be a particularly effective nonmarket activity, due to the information, access, and policy impact such connections can provide. The case of Adani Enterprises in India, whose owner Gautam Adani has close personal ties to Prime-Minister Narendra Modi, exemplifies the value of political connections under populism. When Modi returned to power in the 2019 election, he promised to end cronyism and corruption, implicitly threatening Adani's privileged position. Nevertheless, Adani Enterprises' stock price jumped by 31 per cent upon Modi's election, indicating that whatever policy shifts the government intended to reduce the power of business tycoons in India, the market believed Adani Enterprises would be unaffected thanks to the owner's political ties (Mundy, 2019).

Legitimacy challenges. One could posit that in a risky environment, firms might eschew political ties to maintain a low profile (De Villa et al., 2019) or only engage in political activity if directly challenged (Hillman and Hitt, 1999). While these may be effective strategies in some settings, it is a precarious approach under populism because of its divisive – with us or against us – ideology. While firms may seek to stay 'neutral', their failure to actively align politically with the government can be interpreted as disloyalty and weaken firms' legitimacy in the eyes of the populist leadership.

Moreover, building linkages to major political institutions and elites can enhance firms' legitimacy with a broader range of stakeholders (Bucheli and Salvaj, 2018; Stevens et al., 2016; Zhu and Chung, 2014). This is particularly true in the 'people'-oriented ideology of populism, such that political legitimacy can spill over into broader societal legitimacy. Thus, actively building ties with populist leaders has a strong impact on firms' political legitimacy as well as their perceived legitimacy in the eyes of societal stakeholders.

While cultivating political ties to the populist leadership can help firms mitigate the risks of de-legitimization, such ties may not be enough given the premium on loyalty and the Manichean interpretation of political life by populists. Thus, firms might also have to *distance themselves from the political opposition* – or suffer from not doing so. It is

common for firms in democracies with regular leadership turnover to diversify their ties across different political parties, so as to hedge against the risk of being disadvantaged when ‘their’ party is out of government, or to secure influence when political power is divided across multiple parties (Zhu and Chung, 2014). Populist incumbents are unlikely to tolerate such a diversified approach to political connections, especially the maintenance of ties to members of the ‘old guard’. Thus, to ensure political legitimacy, firms need not only develop deep, ongoing relationships with the populist government, but they must also distance themselves from the regime’s political opponents.

For example, following withering criticism of the country’s neoliberal era by Mexico’s populist President López Obrador, Spanish energy producer Iberdrola ‘accepted the resignation’ of Felipe Calderón, the former President of Mexico during this era, from its board of directors. According to the populist incumbent, having Calderón as an Iberdrola director was ‘an offense to the people of Mexico, which may be legal, but ... is completely immoral’ (Espallargas, 2020). By unambiguously distancing itself from the establishment opposition, Iberdrola avoided a regulatory backlash. Koç Holding, one of the largest companies in Turkey, was not so lucky. Due to the firm’s perceived political disloyalty during the anti-Erdoğan protests of 2013, three Koç subsidiaries had unexpected tax inspections and faced punishing fines totalling \$200 million (The Economist, 2014).

While outsider firms are more exposed to de-legitimization, our argument suggests that even insider firms may face challenges to their legitimacy *if* they fail to manage their political connections appropriately. Structural alignment may not suffice for political legitimacy if insider firms continue to maintain ties to the opposition or fail to comply with the government’s institutional changes. Such misconduct creates dissonance as to where insider firms fall along the ideological cleavages, thus jeopardizing their political legitimacy.

Veto points. The third mechanism enhancing the effectiveness of ties to the political leadership under populism rests on the notion that as power is increasingly centralized in the upper executive, both relative to the political opposition and to the bureaucracy. Thus, firms simply have ‘nowhere else to go’ in order to be informed about or influence policy. As veto points dwindle, firms will find their ties to the remaining locus of power – the populist incumbency – increasingly valuable.

Given the importance of different political actors to policymaking, including not only the executive, but also legislators and regulators, scholars of NMS often emphasize a portfolio approach to political ties diversified across relevant actors (Bonardi et al., 2005; Sun et al., 2012; Zhu and Chung, 2014). Our framework clarifies why an effective portfolio of ties will be *less diversified* under populism. Populist de-institutionalization marginalizes both the political opposition and the technocratic bureaucracy. Given that the maintenance of political ties requires resources, firms will be averse to expend them on actors who are unlikely to influence the relevant issues. At the same time, as the scope of policy decisions on which the populist leadership can ‘weigh in’ widens (e.g., Trump’s attempts to interfere with decisions at the Federal Reserve Bank or the Center for Disease

Control and Prevention), firms will derive more value for every unit of resources invested in ties to the political leadership.

In sum, political uncertainty, legitimacy challenges, and diminishing veto points are the key theoretical mechanisms enhancing the relative value of political ties – and specifically a leadership-focused configuration of ties – under populist regimes:

Proposition 2a: Firms will mitigate populism-related risks more effectively if they (a) develop extensive ties with the populist leadership; (b) actively distance themselves from the political opposition; and (c) cease investing in connections with bureaucrats.

Having established the core logic of political ties under populism, we now outline certain adaptations for outsider firms to more effectively manage populism-related risks. We begin with the relative emphasis on ties to the populist leadership versus state bureaucrats.

In general, bureaucracies' policy preferences seldom align perfectly with those of political leaders (Holburn and Van den Bergh, 2008), and, despite being formally accountable to politicians, bureaucrats often act independently (McCubbins et al., 1987). These principal-agent dilemmas, we argue, are particularly pronounced early in a populist leader's tenure. Prior to full de-institutionalization, bureaucratic agencies are likely to be more independent from political leaders and to be staffed primarily by individuals that pre-date the populist incumbency. Moreover, a pronounced information asymmetry between bureaucratic agents and political principals is likely given that the *populist* principals are often political newcomers without policymaking experience, making them less effective at overseeing the bureaucracy.

Consequently, compared to the populist leadership, bureaucrats will be less predisposed to favour firms deemed 'insiders' and act against firms that are 'outsiders' according to the regime. As bureaucratic agents are relatively more receptive to the demands of outsider firms, and can mitigate the impact of outsider-hostile policies adopted by populist leaders, outsider firms benefit from maintaining ties to such agents. For example, under the Humala regime in Peru, ties to the General Directorate for Environmental Health (Digesa), helped shield the country's largest processed food companies, such as Alicorp, from the populist government's attempts to mandate more transparent product labelling on processed food (Salazar, 2019).^[10] Moreover, ties to the comparatively apolitical bureaucracy are less likely to trigger perceptions of disloyalty (from the regime) than ties to the political opposition. However, as de-institutionalization advances, bureaucrats become increasingly less relevant as independent policy 'suppliers' (Bonardi et al., 2005) under populism. Accordingly, the value of bureaucratic ties for outsider firms will diminish over time.

By contrast, insider firms benefit more clearly by reallocating resources early on from ties to bureaucrats towards populist leaders given their strong pro-insider bias. Such ties can also be used to lobby the leadership to exercise influence over bureaucracies, diminishing the need for ties to bureaucrats (McCubbins and Schwartz, 1984). In Russia, for example, insider firms have leveraged their ties to the Kremlin to push through profitable reforms in banking and pension sectors despite opposition from the bureaucracy (Markus, 2007).

Proposition 2b: Compared to insider firms, outsider firms will mitigate populism-related risks more effectively when they maintain ties to bureaucrats early in the populist incumbency.

The value of ties to bureaucrats notwithstanding, outsider firms benefit from connections to the populist leadership, as per Proposition 2a. Yet they face a challenge. Political leaders are wary of associating with firms that have a tarnished reputation or stigma (McDonnell and Werner, 2016), and in the context of populism, outsider firms are stigmatized due to their nonalignment with the ‘people’. Thus, populist leaders may shun outsider firms lest they be accused of hypocrisy by virtue of cultivating illegitimate ties (Suchman, 1995).

Jia et al. (2021) show that political leaders in similar circumstances actually face a trade-off. On the one hand, they would prefer to gain the resources implicit in the firm’s political activity (e.g., campaign contributions or information). On the other hand, they are wary of losing the support of their constituents (e.g., votes) for associating with firms that are seen as unpalatable. Crucially, this trade-off is resolved if the focal company’s political activity is concealed (Jia et al., 2021). If the company’s political activity is not public knowledge, the focal politician need not fear losing electoral support. We apply this argument to political connections under populism. Populist leaders would only be punished by their base for their hypocrisy in accepting resources from ‘establishment’ firms (note that resource transfer is necessary to establish political ties) *if* the base knew about it. Since resource accumulation is critical to politicians’ power maintenance, they should be much more open to ties with outsider firms if such ties are concealed.

Firms can strategically conceal their political activity through two general strategies (Jia et al., 2021). First, organizational concealment strategies involve inserting an intermediary (such as a business association, a lobbying firm, or a think-tank) between the focal firm and its target policymaker. Second, informational concealment strategies work through the direct manipulation of information on political activity (e.g., through astroturfing or doctoring of web search results), and can include strategic ownership of media assets for political purposes (Markus and Charnysh, 2017).

We argue that outsider firms are likely to rely on organizational concealment strategies when forging political ties to populist leaders. Any active concealment of political activity involves the risk of detection and backlash costs (Jia et al., 2021) which, in the case of outsider firms, would mean their further de-legitimization (essentially cementing their ‘enemy’ status). Since outsider firms face a legitimacy deficit to begin with, they should be sensitive to this risk. Informational concealment strategies would be particularly detested by stakeholders as they involve deliberate misrepresentation (Suchman, 1995). By contrast, organizational concealment is relatively benign. In fact, it may even improve outsider firms’ legitimacy as a side benefit. For example, if an outsider firm joins a widely accepted and regime-affiliated business association, not only does this help conceal the firm’s ties to the regime’s leaders, it also helps it to gain legitimacy (Markus, 2007).

Uber’s experience in Turkey illustrates the value of ties through associations for outsider firms. The Turkish government, consistent with its right-wing populist ideology, framed

Uber's potential market entry as a threat from a corrupt, foreign organization seeking to harm local taxi operators. In 2019, Erdoğan stated, 'Uber does not exist in our lexicon ... Uber is no different from an illegal taxi operation. I never granted an appointment to meet with the head of Uber and I still refuse to do so ... The Uber issue is over as far as the government of the Republic of Turkey is concerned' (Ulaş, 2019). However, while Erdoğan publicly refused to meet with Uber, a company he portrayed as an illegal outsider, Uber was able to engage with the Turkish President through the Union of Chambers and Commodity Exchanges (TOBB), the country's largest business association (Atılğan, 2017).

In concealing their political ties, so as to alleviate pressures on populist leaders from their constituents, outsider firms should also prefer informal links (such as personal relationships) to formal ties (such as having politicians on boards). While formal ties are visible and rule out plausible deniability, informal ties are easier to conceal or play down (Markus and Charnysh, 2017). For example, in the Philippines, instead of appointing politicians onto their boards, 'old-money oligarchs' appointed Dennis Uy, a businessman with strong ties to left-wing populist president Rodrigo Duterte, to get closer to the populist leader (Almendral, 2019).

Proposition 2c: Compared to insider firms, outsider firms will mitigate populism-related risks more effectively when their political ties to the populist leadership are concealed through organizational strategies and informal linkages.

Strategic CSR and the Populist Syndrome

A second non-market strategy that can mitigate firms' exposure to risks under populism is CSR, defined as 'actions that appear to further some social good, beyond the interests of the firm and that which is required by law' (McWilliams and Siegel, 2001, p. 117). Here, we adopt an instrumental lens, focusing on CSR as *a political risk management strategy* (Darendeli et al., 2021; Liedong et al., 2017; Markus, 2012; White III et al., 2021) under populism.

Legitimacy challenges. While Proposition 2 addressed the importance of political connections, CSR activities address 'the people' at the core of populist ideology. We argue that cultivating the main *constituencies* of populist leadership – rather than the leaders directly – also helps firms gain political legitimacy.

The classic forms of legitimacy are pragmatic, moral and cognitive (Suchman, 1995). Cognitive legitimacy implies a 'taken for granted' quality which is difficult to secure for firms amidst institutional flux (Henisz and Zelner, 2005). This is particularly true under early populism, when the new leaders begin to re-examine organizations to evaluate their consistency with the often inchoate populist ideology. Still, firms can minimize political de-legitimization through the pursuit of *pragmatic* and *moral* legitimacy (Hampel and Tracey, 2017). Moral legitimacy involves a normative approval of the firm by stakeholders, while pragmatic legitimacy emerges from the advancement of stakeholders' interests. CSR initiatives under populism can help firms accomplish both.

First, given that populist leaders claim to govern in the interests of the people (indeed, the leaders' own legitimacy rests on this claim), they should view corporate conduct

that caters to these ‘people’ as morally appropriate. Importantly, while ‘people’ is an all-encompassing category, in reality, populist regimes will inevitably prioritize certain segments of the population. For example, if the regime favours labour, then the middle class and capital are less critical to its power maintenance. Further prioritization can occur within these segments, either based on need (e.g., workers or regions most in need), or on expediency (e.g., groups most valuable politically). Thus, firms that invest in the government’s prioritized constituencies via CSR are more likely to be viewed as *morally* legitimate in the eyes of the populist leadership.

Second, by benefiting various societal stakeholders, CSR activities can strengthen the public’s approval of the government and serve the interests of the populist leadership thereby helping firms attain greater *pragmatic* legitimacy vis-à-vis the regime’s leaders (Stevens et al., 2016). This applies especially when firms engage in CSR activities in partnership with government agencies (Beddewela and Fairbrass, 2016; Zhao, 2012). Such public-private collaboration helps the government to both satisfy the needs of politically important constituents and to *claim credit for the firms’ CSR*. Over time, as populism leads to deteriorating economic conditions and a diminished ability of the government to provide public goods, firms can also advance leaders’ interests by filling the gaps in state capacity via CSR initiatives (Lin et al., 2015).

For example, India’s leader Modi unveiled a government-run CSR portal in 2018, designed ‘to harmonize efforts not just across companies, but also to “align” them with the priorities of the government’ including sanitation, digital literacy, and financial inclusion (Agarwal, 2018). By inviting the heavyweights of the Indian manufacturing and IT industries to the unveiling, the government signalled its expectations regarding CSR collaboration under the auspices of the state. Two years later, Modi proclaimed that India supports ‘enterprise and wealth creators who were giving ... and profit-sharing’ as he presented the Tata Group with an Enterprise of the Century Award (NetIndian, 2020). Meanwhile, India’s business leaders feared that by de facto mandating CSR, the government was setting firms up ‘to be scapegoats for the failure of programs to reduce inequality in India’ (Kansal et al., 2019), highlighting the acute sensitivity of populist governments to credit-taking and blame avoidance regarding CSR’s impact on the regime’s constituencies.

In *non*-populist democracies, institutionalized processes confer legitimacy on political leaders, reducing the need for firms to engage in CSR for political leaders’ sake (firms, of course, may have other reasons to do so). Conversely, under populism, the total reliance of leaders on their constituencies (unmediated by representative institutions), enhances the value of CSR as a risk mitigation strategy vis-à-vis populist incumbents.

Political ties via CSR. CSR activities can also help firms strengthen political ties. CSR can give firms the opportunity to interact with government officials regarding economic, environmental, and social issues (Su and He, 2010), particularly for CSR activities in partnership with the government (Beddewela and Fairbrass, 2016). Separately, politicians may be more willing to grant access to firms with a strong CSR record, as such association is less likely to harm politicians’ reputations and may provide them with

valuable information from firms regarding environmental and social issues important to their constituents (Hadani and Coombes, 2015; Werner, 2015).

Overall, since political ties to the leadership yield considerable risk-mitigation value under populism (Proposition 2), the positive relationship between CSR and political ties hypothesized here suggests that CSR, too, should be particularly valuable for firms under populist regimes. This dynamic is exemplified by the involvement of private sector players in multiple government-aligned foundations established in Turkey during Erdoğan's tenure. For instance, the Sabancı family magnates are among many business leaders who are donors to the Social Development Center – Education and Social Support Association (TOGEMDER) established by Erdoğan's family, a CSR engagement that has provided these players with political access (Toker, 2016).

Constituency-building. While CSR can help firms to be perceived positively by the populist leadership or even to gain political access, it can also help firms build supporting constituencies among the general population independently of the populist leadership. Such 'stakeholder alliances' (Markus, 2012) can be critical for two reasons. First, they can help defuse potential social mobilization against the firm. Second, they can be mobilized by the firm against hostile initiatives by the populist leaders.

Often viewed as an indirect or more covert form of political activity, constituency-building generates a base of support for the firm and its preferred policies among the population through grassroots mobilization, public relations, and education programs (Walker and Rea, 2014). As CSR activities are often organized to meet the social and environmental demands of societal stakeholders (O'Riordan and Fairbrass, 2014), we argue they can help build stakeholder support for firms' political initiatives, including the mobilization of civil society actors to advocate on firms' behalf (Markus, 2012). Such societal support can also deter governments from implementing policies harmful to the firm in the first place (Liedong et al., 2017). CSR activities can also be used to reshape stakeholders' perceptions of the firm and the appropriate regulation of firm-relevant issues (Walker and Rea, 2014). Hence, CSR can discourage societal actors from politically mobilizing against the firm and ward off unwanted changes in policy that may result from such mobilization (Henisz et al., 2014; Werner, 2012).

While CSR, constituency-building, and stakeholder mobilization are not unique to populist settings, we argue that their value is particularly high under populism. First, given populist leaders' claim to represent the will of the people, firms' ability to cultivate independent support among the people (as defined by the populist regime) can become a crucial tool of influence and risk mitigation. The legendary CEO of Unilever, Paul Polman, for example, argued that 'populism and schisms in society ... [exist] because we are not ... [working] to evolve capitalism and make sure it works for everybody', (Butler, 2019) while deftly framing his multinational giant as 'a non-governmental organization committed to cutting poverty' (The Economist, 2017).

Second, and crucially, popular support is particularly valuable in the wake of populist de-institutionalization when firms have lost institutional recourse for conflict resolution with the government (e.g., via an impartial judicial system). CSR-based stakeholder mobilization in emerging markets has been shown to be effective even against political regimes that are starkly hostile towards focal firms (Markus, 2012).

The case of Venezuelan food and beverage conglomerate, Empresas Polar, illustrates this dynamic. As one of the largest firms in the country, Polar was in the cross-hairs of the populist Chavez government for many years. With its billionaire owner Lorenzo Mendoza, one of the wealthiest people in Latin America, Polar was a natural target for the country's left-wing populist regime. In 2010, Chavez directly attacked Mendoza, charging that 'Because you are the rich one, you are going to hell. To heaven you will not go ... I invoke the real Venezuelan working class for economic war against the bourgeoisie' (Forero, 2010). Yet, while hundreds of companies in Venezuela were nationalized under Chavez, Polar was able to maintain its independence despite the regime's repeated threats to nationalize it – mostly because the company was incredibly popular among the working class, the regime's core constituency (Reuters, 2011). The company was popular because it makes widely consumed and affordable staples (e.g., flour, beer); treats its employees well; and, crucially, invests in social and community programs, particularly in the area of popular sports such as baseball. As a result, 96 per cent of Venezuelans in 2008 felt Polar was working to help the country (The Star, 2009). The value of this popular support became evident in 2010, when government attempts to nationalize a part of the company's beverage operations were met with public opposition and organized protests by the company's own employees (Forero, 2010). Thus, while many nationalizations had popular support in Venezuela, by investing in CSR and cultivating a supporting constituency that included the regime's main supporters, Empresas Polar was able maintain its independence.

While CSR can be effective for constituency-building, we emphasize that CSR investments must fulfil a number of criteria for this to be the case (Markus, 2015). Specifically, CSR must be: (a) sizeable enough to offset the non-negligible risks for the recipients in mobilizing on the firm's behalf against the regime; (b) traceable to a specific firm, i.e., not routed through NGOs or done anonymously; and (c) seen as voluntary so as to preclude credit-taking by the political regime for the company's CSR.

Finally, let us note the potential tension between CSR geared to win favour with the populist regime (via establishing political legitimacy or political ties) – and CSR aiming to cultivate independent bases of social support for the firm (via constituency-building). Given the tangible losses a populist regime can inflict on firms, we posit that leveraging constituency-building, while potentially very effective, should be the approach of last resort. If CSR-conducting firms can avoid direct confrontation with the regime, they should.

Proposition 3a: Firms will mitigate populism-related risks more effectively if they invest in CSR activities that (a) focus on the regime's priorities, or (b) can be leveraged for constituency-building.

As in the case of political ties, firms' outsider status implies modifications to their CSR strategies. Outsider firms are more likely to be targeted by the regime and, furthermore, disadvantaged with respect to building connections to the populist leadership. To the extent CSR can serve as an indirect path to regime-based connections and legitimacy, CSR initiatives should be more politically valuable to outsider firms.

Moreover, in the event that they cannot sufficiently overcome their obstacles to political legitimacy and cultivate influence through political ties, using CSR to build constituencies that could be leveraged *against* the regime (Markus, 2012) is especially valuable for

outsider firms. If constituency-building is a CSR strategy of last resort under populism, as argued previously, insider firms should need it less than the ideologically suspect outsider firms.

But how feasible is it for outsider firms, whose legitimacy is questioned, to build constituencies under a populist regime? As outlined previously, targeted CSR allows for firms' accumulation of moral and pragmatic legitimacy in the eyes of the *populist leadership*. The relationship between CSR and firms' legitimacy should be even stronger for *societal stakeholders* who are directly affected by firms' activities. Past research highlights the capacity for CSR activities to help firms build broader societal legitimacy beyond government (Hadani and Coombes, 2015; Marano and Kostova, 2016). Even outsider firms, we argue, can frame themselves as legitimate actors aligned with the interests and values of societal stakeholders when they engage in CSR. Such framing can help mobilize these stakeholders to support the firm on nonmarket issues that are of material importance (e.g., Bach and Blake, 2016; Henisz and Zelner, 2003). For example, CSR-based framing by outsider firms in Russia has enabled 'the firm owners to bridge the gap of popular distrust' (Markus, 2015, p. 38) and build support among the populist leadership's constituencies.

Furthermore, investing in socially beneficial projects and products can help firms cultivate goodwill and *pragmatic* legitimacy among societal stakeholders (Darendeli et al., 2021; Liedong et al., 2017). Multiple regime constituencies may be dependent on resources supplied by outsider firms via CSR, depending on the latter's size and economic impact (Hillman et al., 2009). These constituencies could be (among others) the firm's customers as well as employees and local communities that benefit from the outsider firm's activities. If the populist regime's targeting of an outsider firm also harms these constituencies by reducing the firm's ability to supply resources on which the constituencies depend, the latter will have a material incentive to mobilize on behalf of the firm. The prior example of Empresas Polar in Venezuela underscores this point. Overall, constituency-building via CSR should be both feasible and particularly valuable for outsider firms.

Proposition 3b: Compared to insider firms, outsider firms will mitigate populism-related risks more effectively if they invest heavily in CSR activities, particularly in activities that facilitate constituency-building.

Nonmarket Strategy under Fragile Populist Regimes

Propositions 2 and 3 apply primarily when populist regimes are expected to endure. But what if populism were to end? We argue that in fragile populist regimes – namely those facing a high risk of replacement in the short term by a more traditional political incumbency – firms need to adapt their nonmarket strategies *ex ante*, to ensure they are well-positioned *ex post* following the fall of a populist government.

When new institutional configurations (in our case populism) are introduced to govern social or political life, they will be contested and might not endure (Henisz and Zelner, 2005). Populist governments' push to weaken the institutional hallmarks of procedural democracy, for example, is likely to produce a backlash. Furthermore, while

their short-term policy bias aims to deliver quick benefits to their constituents, populist campaigns tend to inflate expectations leading to big disappointments – and loss of support – if the policy benefits do not materialize. For example, early in Erdoğan's tenure, Turkey emerged from an economic crisis to achieve high rates of growth, which helped build support for his populist government and their institutional transformations over two decades (Boland, 2007). By contrast, with the border wall and other electoral promises largely unfulfilled, the populist presidency of Donald Trump yielded to a more traditional tenure of Joe Biden (who embodies the pre-populist status quo given his decades-long political career).

While firms cannot predict with certainty how long a regime will last or how far de-institutionalization will progress, several features of political systems *prior* to the populist takeover allow for educated estimates. Specifically, the likelihood of a populist regime's collapse should be higher in political systems that, prior to the populist incumbency, exhibited some combination of (a) robustly institutionalized democracy and rule of law, (b) politico economic stability, (c) well-informed and politically active citizenry, (d) low inequality, or (e) a strong public service ethos among political elites. A voluminous literature in political science (for an overview, see Fukuyama, 2014) suggests these factors are key to halting the institutional decay under populism and sustaining the institutional and socioeconomic conditions for political opposition to defeat populist incumbents (Arditi et al., 2005; Pappas, 2019). In other words, there are good (if complicated) reasons why populist incumbents in the United States and the Czech Republic fell from power in 2021, while the leaders of Russia and Turkey have not.

When political incumbents are removed from power, firms associated with them can lose policy rents or face policy discrimination by the successor regime (Leuz and Oberholzer-Gee, 2006). Moreover, changes in leadership, particularly when they are accompanied by broader institutional transitions, may lead firms with strong ties to the fallen regime to be viewed as illegitimate (Bucheli and Salvaj, 2018; Darendeli and Hill, 2016). Crucially, the risks of *post-populist* political retribution and de-legitimization for firms tied to the defeated populist government are particularly high. Populist leaders are not ordinary politicians offering policy alternatives to voters. Instead, they weaken established institutions sustaining procedural democracy. For many citizens, these institutions possess profound moral, cognitive, and pragmatic legitimacy. Thus, after the populist regime falls, firms closely associated with it can become delegitimized and punished because they are seen as complicit in the regime's efforts to dismantle the bedrock of the country's political system.

For example, Toyota faced intense political backlash in 2021 for its financing of the Republican Congress members who refused to certify the presidential victory of Joe Biden in the US (Hsu, 2021). While its open support of the Republican party had never been a problem for Toyota in the past, the populist presidency of Trump (a Republican) and his electoral defeat changed the equation completely. Toyota was shamed in existential terms on national television in commercials bankrolled by the Lincoln Project (an anti-Trump political financing vehicle), which also listed other corporate transgressors including Boeing, Walmart, and PNC Bank, while calling for broad consumer boycotts. Toyota reversed its decision on financing the Republicans within days, to which the Lincoln Project responded: 'They put democracy ahead of transactional politics. We hope that the rest of corporate

America will follow their lead – we'll be there to make sure of it'. Toyota's example is far from unique; the Southern grocery chain Publix faced widespread boycotts for its support of Trump and the Capitol riot aimed at denying Biden's victory (Fearnow, 2021).

Under fragile populist regimes firms face an intertemporal challenge managing present *and* future political risks. Companies can build ties with the populist government to mitigate their current risk, but doing so can expose them to future de-legitimization and even stigmatization, in the likely (yet still uncertain) event of the populist regime collapse. Accordingly, the shorter the lifespan of the populist regime, the more effective a *balanced* portfolio of political ties that includes the regime and its political opposition should be. This would allow firms to avoid being too closely associated with the regime while laying the groundwork for political engagement with future incumbents. A more balanced portfolio of ties should enable firms to hedge effectively against the likely fall of the populist leadership.

However, given the logic underpinning Proposition 2a, there are populism-specific drawbacks to hedging political ties, namely perceptions of disloyalty and retribution by the populist incumbent. Therefore, to maintain an effective yet balanced portfolio of ties under populism, firms should also *conceal* those relationships to the extent possible. Indeed, firms should conceal *both* their ties to populist leadership (to avoid being punished if populism collapses) *and* their ties to the opposition (to avoid being punished for disloyalty if populism endures). The uneven fortunes of oligarchs in Ukraine during the populist tenure of Prime-Minister Tymoshenko in the late 2000s provide an example (Markus and Charnysh, 2017). While oligarchs who conducted well-diversified yet low-visibility political activity increased the value of their corporate holdings *after* the populist regime's collapse, those who visibly committed to the populist administration suffered losses.

Low-visibility hedging of political ties, however, is unlikely to be an effective strategy over the long term in populist regimes with strong prospects for survival. To begin, the effective concealment of political activity is costly (Jia et al., 2021). Further, the likelihood of the populist incumbent detecting a firm's ties to the opposition should increase over time (both probabilistically and because law enforcement and secret services increasingly fall under incumbent's direct control). Crucially, the firm's resources expended on ties to the opposition would yield more value if they were focused on the populist incumbent who is 'here to stay'.

Proposition 4a: Firms will mitigate risks under a fragile populist regime more effectively if their political ties are balanced (across the leadership and the opposition) and concealed.

Firms are also likely to benefit from hedging their CSR strategies under fragile populist governments. CSR can endow firms with community ties and societal legitimacy that outlast the fall of a government to which firms are connected (Bucheli and Salvaj, 2013; Darendeli and Hill, 2016). Yet to establish societal legitimacy that is resilient to political shocks, firms need to cultivate ties with important social actors *not* aligned with the regime, and engage in initiatives that have a broader impact on society beyond the immediate supporters of the regime (Darendeli et al., 2021; Sun et al., 2012). Thus, as in the case of political ties, firms face a tension in managing their portfolio of CSR activities under a fragile populist regime. CSR activities most likely to advance firm legitimacy and influence vis-à-vis the populist regime are those prioritized by the populist leadership

or benefitting the regime's supporters (Proposition 3a). However, firms aiming to hedge against the collapse of the populist regime should develop CSR activities in collaboration with, and to the benefit of, a broader set of stakeholders including those neglected by the regime. Post-populist governments are unlikely to confer legitimacy on a firm if its previous CSR initiatives are seen as selfishly focused on the populist government (see also Godfrey et al., 2009).

Since CSR is less politicized than ties to political actors, firms can diversify their CSR targets without being accused of disloyalty by the populist regime; in other words, concealment is likely to be less critical for CSR activities. Still, caution is warranted: in Poland, for example, the ruling populist party Law and Justice attacked independent charity organizations it perceived as hostile (Bill, 2020). To illustrate how the fragility of the populist regime may shape firms' targeting of CSR activities, consider Brazil. When President Bolsonaro assumed power in 2018, business elites overwhelmingly fell in line voicing their political support for the populist (Pooler, 2021). However, as Bolsonaro's electoral prospects in the upcoming election imploded due to the regime's abysmal handling of the pandemic, Bolsonaro's erstwhile corporate supporters used CSR to rebuke the President and signal to Brazil's population that they are not the regime's puppets. Corporate engagement centred on the environment: the largest banks in Brazil, as well as dozens of large companies and sectoral entities, launched initiatives to protect the Amazon region notoriously abused by Bolsonaro's deforestation policies (Marzano and Sgambatti, 2020). For our purposes, it is the timing of regime-independent CSR projects that is noteworthy: while the Amazon has been endangered throughout, companies embraced the cause only once Bolsonaro's political future darkened.

Proposition 4b: Firms will mitigate risks under a fragile populist regime more effectively if their CSR activities are balanced across projects and constituencies prioritized by the regime as well as those neglected by the regime.

How likely are firms to assess accurately a populist regime's fragility? Building on theories of motivated reasoning, which is a subtype of confirmation bias, we argue that while firms may draw on the same political and economic information, they will likely vary in their estimations of a populist leader's survival prospects. Research shows that individuals evaluate political and economic information with 'directional objectives' (Kunda, 1990; Taber and Lodge, 2006), making them more likely to accept information that is consistent with their pre-existing views and devalue information that is not (Ditto and Lopez, 1992; Jerit and Zhao, 2020). The principal driver of motivated reasoning (Druckman and McGrath, 2019; Kunda, 1990) in politics is partisanship or political identification such that individuals accept or dismiss information to the extent it reflects well or poorly on their partisan or ideological identities (Bisgaard, 2019).

Motivated reasoning is relevant for the assessment of regime fragility because it impacts evaluations of *leader performance*. Presented with the same information, people are less likely to attribute blame for negative policy outcomes, and more likely to give credit for positive results, to the incumbent leader if they identify with her politically. By contrast, individuals are prone to blame the government for negative outcomes and deny it credit for successes

if they identify with the opposition (Malhotra and Kuo, 2008). Crucially, since a leader's performance directly impacts her hold on power (De Mesquita and Siverson, 1995), motivated reasoning can cause firms' assessments of regime fragility to vary systematically.

We posit that the divisive ideology of populist leaders, along with the associated targeting of outsider firms (Proposition 1), will cause insider firms to identify more closely with the populist leadership and outsider firms to identify more closely with the opposition. Hence, insider firms will attribute more credit for policy accomplishments and less blame for policy failures to populist leaders while outsider firms will do the opposite. Insider firms will thus have an overly positive estimation of the regime's capabilities, achievements, and broader support, while outsider firms' estimation will be overly negative. Consequently, both insider and outsider firms will tend towards biased assessments of regime fragility, either underestimating (insiders) or overestimating (outsiders) the probability of regime collapse.

The differential willingness of business leaders to accept Biden's victory in the 2020 US presidential election provides an example. While many Democrat-leaning CEOs were quick to congratulate Biden on his victory in November 2020, Stephen Schwarzman, Chairman of the Blackstone Group and a strong backer of Trump, was more receptive to the possibility of Trump's win. According to the *Financial Times*, at a meeting of CEOs held soon after the election, '[Schwarzman] asked whether other participants did not find it surprising that early votes in Pennsylvania had favoured Mr Trump, only for later counts to tip the state in Mr Biden's favour', and said, 'there had been news reports stating that ballots continued arriving days after the election and that some of them may not have been real' (Edgecliffe-Johnson and Vandeveld, 2020). Schwarzman's comparative reluctance to accept that Trump had been defeated demonstrates the bias induced by motivated reasoning.

If insider and outsider firms were aware of their propensities for motivated reasoning, they could correct for their biases in information evaluation. However, correcting inaccurate beliefs about politics often meets with resistance (Jerit and Zhao, 2020), and is particularly difficult to do on highly salient political issues and prominent political figures (Ecker et al., 2014). The survival in power of a populist leader is a highly salient issue about a prominent political figure. Thus, while a full correction for biased assessments about regime fragility may be challenging, even a partial correction should lead to more accurate estimates of leadership survival and more appropriate strategic responses. Accordingly, once insider firms adjust their baseline estimation of the likelihood of the populist regime's collapse upwards, they should be more receptive to balancing their political ties and CSR activities away from the regime. Meanwhile, once outsider firms adjust their baseline estimation of the likelihood of the populist regime's collapse downwards, they should recognize the value of focusing their NMS more on the populist leadership.

Proposition 5a: Insider firms are more likely to underestimate the likelihood of a populist regime's collapse; outsider firms are more likely to overestimate the likelihood of a populist regime's collapse.

Proposition 5b: Insider (outsider) firms that adjust their baseline estimation of the likelihood of a populist regime's collapse upwards (downwards) will more effectively determine when to adopt a more balanced versus a more regime-focused portfolio of political ties and CSR activities under populism.

DISCUSSION

The multidimensional, dynamic, and chameleonic nature of populism has complicated its unified analysis – both as a source of risk and a strategic challenge. Building on research in management, political science, and economics, our framework filled these gaps by (a) theorizing how the core elements of populism interact to generate an array of political risks to firms; (b) elaborating the dynamic logic guiding the evolution of the populist syndrome and the adaptations of firms' NMS; and (c) integrating two important pillars of NMS, namely political connections and CSR, while also differentiating between insider and outsider firms, to spell out a strategic playbook for managers operating under populism. Our additional, deeper contributions to the literatures on political risk and NMS are as follows.

First, while the strategy literature tends to treat institutions as a given feature of the environment (Henisz, 2004; Pinkham and Peng, 2017), we *endogenize institutional risks* (Markus, 2016) by specifying the demand- and supply-side factors that lead to institutional deterioration and policy bias. Our framework shows not only why incumbents (supply) may benefit from weakening institutions, but also conceptualizes the methods through which they pursue such weakening, and why such de-institutionalization and the resulting policy risk may be popularly supported (demand). Hence, in addition to endogenizing institutional risks, we contribute to integrating the demand- and supply-side factors of political markets (Bonardi et al., 2005) for institutional formation and policymaking.

Second, our framework theoretically broadens the insight that 21st century political risk is increasingly transnational (Rice and Zegart, 2018) and that certain political phenomena diffuse easily across borders (Blake and Moschieri, 2017). We show how populism can blur the line between advanced and emerging markets as far as institutional risks go. Extant strategy research tends to separately focus either on 'strong' (Holburn and Van den Bergh, 2008) or 'weak' (Marquis and Raynard, 2015) institutional environments, with distinct literatures addressing political risk in Western contexts (stressing policy fluctuation) versus those of developing countries (stressing deeper challenges to property rights, law and order, etc.), hence prescribing different NMS responses. Indeed, 'institutional voids' as such are often identified by comparing developing markets, featuring voids, against a Western institutional template, assumed to be institutionally intact (for a critique, see Dieleman et al., 2022). Our framework suggests that such sharp conceptual division can break down under populism, since populist ideology can puncture holes in the institutional fabric of advanced and developing democracies alike. Moreover, by theorizing the common elements of the populist syndrome across left and right-wing variants, and across developed and developing countries, we are able to contribute to the NMS literature a set of broadly applicable risk-mitigation strategies.

Third, we contribute to nonmarket strategy research on political leadership turnover (Sutton et al., 2021; Zhong et al., 2019) and the contingent value of political ties (Sun et al., 2012). While scholars have focused on the effects of turnover, particularly how political ties may become liabilities *ex post* following a change in leadership (Leuz and Oberholzer-Gee, 2006; Markus and Charnysh, 2017; Siegel, 2007), our study theorizes how firms should manage their political connections *ex ante* as a function of perceived

regime fragility. Moreover, we specify the determinants of regime fragility in the critical case of populism.

Fourth, we contribute through our focus on targeting of NMS (Holburn and Van den Bergh, 2008). Existing research emphasizes the overall effectiveness of CSR and political ties as well as their subtypes, e.g., institutional vs. technical CSR, or managerial vs. ownership-based ties (Godfrey et al., 2009; McWilliams and Siegel, 2001; Sun et al., 2015). We advance this work by highlighting the importance of strategic targeting of these activities, not only *towards* but also *away from* particular political or social actors, thus addressing a theoretical ‘blind spot’ around non-market stakeholder heterogeneity (Mellahi et al., 2016, p. 163).

Fifth, we contribute to emerging work on the political utility of CSR for firms in terms of access, influence, and legitimacy (Darendeli and Hill, 2016; Markus, 2012; Werner, 2015). Our study critically extends this work by specifying novel causal mechanisms through which CSR is converted into political dividends. We differentiate between CSR as a constituency-building strategy to counterbalance an incumbent government versus CSR as a compliance strategy to enhance the firm’s legitimacy in the government’s eyes.

Finally, we are the first to theorize that firms’ NMS formulation is subject to motivated reasoning and bias as a function of political alignment. Extant research emphasizes differences in firms’ capabilities and global operational experience to account for inter-firm variation in NMS across political and institutional contexts (Beazer and Blake, 2018, 2021; Cuervo-Cazurra and Genc, 2008; Holburn and Zelner, 2010). Our account of firms’ varying estimates of regime fragility bridges this scholarship with the increasing recognition in the literature that firms can have an ideological orientation (Gupta and Briscoe, 2020; Swigart et al., 2020).

Our theory has multiple implications for future empirical studies. Our conceptualization of the populist syndrome can enrich available measures of populism. To date, the main quantitative measures of populism in the literature employ textual content analysis of leader speeches or party manifestos (Meijers and Zaslove, 2021); expert surveys (Norris, 2020); and mass public surveys (Hawkins et al., 2012) to identify the ideological markers of populism in public attitudes or political leadership. However, our framework implies that the exclusively ideational approach to measuring populism is limited and neglects its institutional and policymaking dimensions. To measure populism ‘in practice’, i.e., beyond rhetoric, it should be useful to supplement ideology metrics with proxies for de-institutionalization and short-term policy bias. Separately, our identification of supply- and demand-side factors in the populist syndrome will enable researchers to explore empirically the relative importance of these factors, and the interactions between them. Finally, our predictions for effective firm strategy under populism provide hypotheses that are directly testable, as compared to prior theoretical studies that have been less focused on firm-level implications. For example, Devinney and Hartwell (2020) mention the differences between forecasting, forestalling, and internalization as the general strategic orientations for firms under populism (p. 27), but do not derive any specific testable hypotheses.

Our framework also helps reflective practitioners to move beyond the static political risk indicators (readily available from management consulting agencies) towards deeper

insights into the socio-political, institutional, and economic dynamics unleashed by populism – and to deploy effective nonmarket strategies using our propositions as a guide.

Our study involved several boundary conditions that can be relaxed in future research. To begin, scholars could investigate how the option to exit the market may change firms' calculus. Outsider firms, in particular, may choose to at least diversify their operations away from a country that elects a populist government. An implication of our model is that a partial exit – or a threat thereof – could be viewed by the populist leadership as a sign of disloyalty and potentially heighten the firm's exposure to political risks. Thus, it is possible that firms might face an 'all or nothing' decision regarding exit, i.e., no partial exits. Alternatively, firms might execute a partial but concealed exit, e.g., by relocating only less labour-intensive operations, or by increasing the publicity around the operations remaining in the country. Finally, with populism on the rise globally, relocating from a populist to a non-populist location may prove to be a temporary fix should the new location's government also turn populist over time. Hence, developing the capability to manage risks under populism may ultimately be helpful even for firms choosing exit.

Nonmarket strategies under populism beyond political ties and CSR also await future research. De-institutionalization, for example, suggests that information strategies (Hillman and Hitt, 1999) may be helpful to companies as the populist regime marginalizes technocratic experts in the bureaucracy. At the same time, domestic de-institutionalization may lead firms to leverage international courts and agreements to contest populist policies, which, in turn, may provoke a backlash from the populist regime (Blake and Moschieri, 2017).

While we focused on regimes with populist incumbents, as these contexts are most salient to firms, future research can also investigate how populist parties or movements may matter for firms even if these forces never assume formal power. Firm-level heterogeneity can also be explored in more depth, moving beyond insider / outsider status while also investigating the determinants of such status across various contexts. For example, while we have focused on nonmarket strategies, future work can examine how the reorientation of a firm's *market* activities can help outsider firms to potentially become insiders, e.g., onshoring activities under right-wing populism. Finally, future work can expand on the complementarities (or lack thereof) between CSR and political connections under populism.

CONCLUSION

By 2022, Putin's Russia had completed its (d)evolution from a right-wing populist democracy (Dimitrov, 2009) to a militarized dictatorship that unleashed the first major war in Europe in seven decades, profoundly impacting global business (Markus, 2022). This geopolitical earthquake underscores why experts view the rise of populism – which may 'kill globalization' (Smith, 2019) and portends the rise of 'dystopian democracy' (Mounk, 2018) – as the defining political shift of the 21st century. So far, a unified analysis of populism and its firm-level repercussions has eluded management scholars. In this context, our model leveraged interdisciplinary scholarship to comprehensively theorize the risks and strategic implications of populism for firms.

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NOTES

- [1] Political risk subsumes ‘the impact of events ... that arise from power or authority relationships and ... have the potential to affect ... the firm’s operations’ (Kobrin, 1979, p. 71).
- [2] The tremendous geographical reach of modern populism can in part be attributed to the preceding era of neoliberal policymaking, which stressed the primacy of free markets over the state and was championed by policymaking elites worldwide – leading to a similarly global backlash (Cayla, 2021).
- [3] We agree with the critique by Devinney and Hartwell of the singular focus on ideology in populism studies as insufficient since ‘the effects [of such ideology] on business can be contradictory and not always easy to discern’ (p. 11). However, we offer a different alternative. Devinney and Hartwell argue for a focus on ‘leaders and personalities’ (p. 18) occupying ‘the administrative or political thrones’ (p. 15). Theoretically, the authors advocate ‘a more generalized form of Kremlinology’ (p. 20). We choose a complementary approach and argue that analysing the *underlying logic of populism* is particularly promising for a concise, generalizable framework from which strategic implications for firms can be derived.
- [4] By distinguishing clearly between minimally defined ‘populism’ (Mudde, 2004) and its political risk profile, i.e., the ‘populist syndrome’, we also contribute on the conceptual front to key definitional debates (Guriev and Papaioannou, 2020). Definitional problems can arise when *contingent* elements of populism – including institutional features (e.g., authoritarianism), or policies (e.g., redistribution or protectionism), or ideologies (e.g., nationalism) – are incorporated into the definition of populism as such. Populist regimes (i.e., those founded on an anti-establishment ideology) may lack these contingent elements, while non-populist regimes may exhibit them.
- [5] Most policies involve inter-group and/or intertemporal trade-offs. A vast literature in political economy has analysed the distribution of policy costs and benefits across various constituencies (and the relative concentration of these costs and benefits within such constituencies) on the one hand – as well as the accumulation of policy costs and benefits across time on the other hand. Here, we examine the latter (intertemporal) aspect of policies adopted by populists.
- [6] Our conceptualization is an ‘ideal type’, i.e., a construct with clearly identified dimensions to advance theory-building. Real-life cases of the populist syndrome will, of course, vary along these dimensions.
- [7] Late-populist autocracies (such as Russia or Turkey) generally constitute a *subset of personalistic authoritarian regimes* where the institutional constraints on the incumbent are (even) lower than in non-personalistic autocracies (where the incumbent may still be constrained by an authoritarian party, the military, or the dynastic tradition (Pepinsky, 2014)).
- [8] For an empirical confirmation of our theoretical argument on the similarity of impact, see Rode and Revuelta (2015).
- [9] This is a standard assumption in the vast literature on political economy. While we follow it to simplify our modelling, we recognize that some populist leaders may be genuine ‘believers’ in their cause.
- [10] The ties between Digesa and Alicorp became particularly evident when the company, helped fund the Head of Digesa, Mónica Saavedra Chumbre’s, non-profit, the Peruvian Eating and Nutrition Association (Asanut), that she created after leaving government.

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