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Doing good for political gain: the instrumental use of the SDGs as nonmarket strategies

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Abstract

The United Nations Sustainable Development Goals (SDGs) are changing the way multinational enterprises (MNEs) engage with host governments. The SDGs offer MNEs a unique opportunity to build political influence by assisting governments in attaining a host country's social needs. However, international business scholars have largely remained silent on how MNEs strategize to repurpose 'doing good' into political influence. Based on a multiple case study of four Western European MNE subsidiaries in Indonesia, we uncover the strategies that MNEs use to turn their SDG initiatives into political access and influence. Our study reveals three nonmarket strategies – SDG-directed cross-sector partnership, SDG-directed conflict management, and SDG-directed constituency building. These actionable strategies help MNEs manage the tensions arising from misaligned government priorities, high levels of perceived corruption, and skepticism toward foreign firms. Our findings advance the literature on international nonmarket strategy by explaining how MNE subsidiaries resolve these tensions and convert SDG-directed investments into political access and influence without succumbing to locally institutionalized norms of corruption. Finally, our study suggests that emerging-market governments may benefit from rewarding MNEs for their investments that contribute to the SDGs, as long as they provide clear guidance and multi-stakeholder platforms that foster effective collaborations with MNEs.

Keywords Nonmarket strategy · Sustainable development goals · Political strategies · Indonesia · Case study

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Introduction

There can be no doubt that the private sector means business when it comes to the SDGs. – John Danilovich, Secretary General, International Chambers of Commerce

Our opening quote suggests that the proliferation of the United Nations Sustainable Development Goals (SDGs) offers novel opportunities for multinational enterprises (MNEs) to repurpose 'doing good' for business purposes. SDGs are generally viewed as a global organizing framework for addressing society's social and environmental grand challenges (Montiel et al., 2021), yet they are political in nature (Williams et al., 2019). Many governments have formally committed to achieving the SDGs by 2030, often via pooling resources with the private sector (Doh et al., 2019). Similarly, many MNEs embrace the SDGs as part of their corporate strategy. However, we argue that the subsidiaries of MNEs use the SDGs instrumentally, not only to 'do good', but also to gain political access and influence.



Indeed, the importance of MNE–host country government interactions is well established in the international business (IB) literature (Buckley et al., 2017; Sun et al., 2021), especially in emerging markets. In these contexts, one particularly salient challenge for MNEs is to gain political access and influence without engaging in locally institutionalized illegal practices (Beets, 2005). The consequences for MNEs engaging in illegal practices can be severe (Luo, 2006), particularly when their home countries participate in the OECD Convention for Combating Bribery (Spencer & Gomez, 2011). Thus, an important question to be raised is how foreign MNEs effectively build relationships with host-country governments in emerging markets where corruption is perceived to be rampant, government priorities are misaligned, and foreign firms are viewed with suspicion (Cannizzaro, 2020; Luo, 2001).

The challenges for foreign MNEs in gaining influence over host-country governments without engaging in corruption are even further amplified in emerging markets. This is because emerging-market governments often consist not only of representatives of different ministries with oftentimes divergent, even conflicting, priorities but also multiple political actors at the district level (Röell et al., 2022; Wang et al., 2018). Yet, IB researchers have often treated the host-country government as a single entity and studied MNE–state relations as dyads. Accordingly, international nonmarket strategy research currently offers limited insights into how MNEs develop effective strategies to respond to the potentially conflicting pressures of actors in both central and district governments, especially in contexts characterized by high levels of corruption.

To address this research opportunity, we examine the instrumental use of the SDGs as part of MNEs' nonmarket strategy. We argue that the proliferation of the SDGs offers MNEs an alternative avenue to gain political access and influence, circumventing the need to engage in locally institutionalized illegal practices. To this end, we explore the instrumental use of the SDGs by MNEs to gain access to and exert influence on the governments of emerging markets by asking: *How do MNE subsidiaries use the SDGs instrumentally to gain access to, and influence on, emerging market governments?*

To answer this question, we undertake a case study of four Western European MNE subsidiaries in Indonesia where the government is decentralized and known to interfere frequently with the operations of private-sector firms (Dieleman & Sachs, 2008) – especially foreign MNEs (Röell et al., 2024). The Indonesian government also seeks to collaborate with the private sector to accelerate efforts to achieve the SDGs (Bappenas, 2020) and has been ranked among the 35% most corrupt countries by Transparency International (2023). Thus, Indonesia provides a suitable context for answering our research question.

We make at least two contributions to IB scholarship on nonmarket strategies. First, we identify three novel SDG-directed nonmarket strategies – and associated mechanisms – that can facilitate MNEs' political access and influence in contexts characterized by high levels of perceived corruption and conflicting priorities of political actors. Specifically, we detail and theorize the underlying mechanisms through which managers can convert SDG initiatives into political access and influence (Blake et al., 2022; van den Broek, 2024). These SDG-directed nonmarket strategies are distinct from established, and often controversial nonmarket strategies that are often not allowed under the regulatory and governance structures of many advanced economies. Overall, we argue that the SDGs present shared goals that help align corporate objectives with government priorities and, thereby, provide opportunities for MNEs to obtain political access and influence without having to engage in illegal practices.

Second, we contribute by setting our in-depth case study of our Western European MNE subsidiaries in Indonesia where the different levels of government often hold opposing views with none having absolute authority (Andrews et al., 2022). MNEs operating in decentralized democratic regimes need to consider heterogeneous state priorities and lack of coordination when designing suitable nonmarket strategies. The set of SDG-directed nonmarket strategies identified in this study are particularly effective to address the potential negative consequences of traditional nonmarket strategies (i.e., legal and governance issues) that typically do not recognize the misalignment between multiple levels of government. Thus, we provide valuable insights for MNE executives and policymakers in emerging markets, illustrating how nuanced, contextually informed nonmarket strategies can advance both business objectives and the SDGs (Winkler & Krzeminska, 2024). By doing so, this study also builds on, and extends, prior work that leveraged insights from the context. Previously studies focused on socio-political risk at the subnational level (Röell et al., 2022) and the institutional embeddedness of longstanding subsidiaries (Röell et al., 2024). This study continues this conversation; while it incorporates elements of both studies (e.g. subnational governments and institutional/political strategies) this study centers around SDG strategies that lead to political access and influence without succumbing to institutionalized corruption norms.

Theoretical background

Research on international nonmarket strategies suggests that MNEs are likely to engage in political activities to better control their environment and influence the political process (Oliver & Holzinger, 2008). MNEs seeking to gain political



influence first need to obtain political access, defined as the opportunity to communicate politically relevant information which may involve dialogues between firms and political actors (van den Broek, 2024). Access allows MNEs to directly lobby governments for favorable treatment (Bonardi et al., 2005). For example, MNEs are known to develop both formal (e.g., having politicians on boards) and informal (e.g., personal relationships) ties with host-country governments to gain political access. MNEs leverage this access to gain political influence, defined as the ability to shape or affect the political decision-making processes and outcomes within the country of operation to their advantage (Ford, 2003; Holburn & Van den Bergh, 2008). To influence policymakers, firms may also hire political consultants, leverage trade associations (Hillman et al., 2004), or use negative incentives (Benischke & Bhaskarabhatla, 2024).

Research on international nonmarket strategy outlines two distinct but related strategies deployed by MNEs to access and influence host-country governments: (1) strategic CSR, defined as the use of firm resources to meet local stakeholder demands with the objective of gaining a competitive advantage (Baron, 2001); and (2) corporate political activities, defined as firms' activities "intended to influence governmental policy or process" (Getz, 1997, pp. 32–33).¹ Research into corporate political activities and strategic CSR is clearly related but has evolved almost independently of the other (Sun et al., 2021). There are only few studies at the intersection of these streams of research (e.g., den Hond et al., 2014; Winkler & Krzeminska, 2024). Specifically, while strategic CSR investments are often motivated by reciprocity (Busch & Barkema, 2022; Zhou et al., 2021), due to its disproportionate focus on the CSR-performance relationship (Wickert, 2021), this work has not yet fully considered the possibility of strategic CSR as a lever to gain political access and influence (Apriliyanti et al., 2023). Thus, while existing theory is well adapted to explain why some firms engage in a more transactional fashion when using strategic CSR while others develop on-going cooperative approaches (Luo, 2001), it lacks the capacity to accurately describe how MNEs may translate strategic CSR into political access and influence.

Similarly, although the corporate political activity literature looks at how MNEs use political activities such as lobbying or political contributions in an "attempt to use the power of government to advance private ends" (Hillman & Hitt, 1999, p. 826),² prior research has not sufficiently considered the instrumental use of strategic CSR as an enabler

of corporate political activities. Hence, neither the strategic CSR nor the corporate political activity literatures provide sufficient explanations for the current dynamics between MNEs, SDGs, and host governments in emerging markets (Sun et al., 2021).

Indeed, the interaction between corporate political activities and strategic CSR may be particularly important in contexts in which MNEs are confronted with host countries that rank high on Transparency International's Corruption Perception Index (see Transparency International, 2023). Compared to domestic firms in emerging markets where corruption norms may be institutionalized, an MNE's decision to violate or conform to corruption norms may affect its operations, reputation, and performance globally (Spencer & Gomez, 2011). At the same time, not "playing the game" (Zyglidopoulos et al., 2019, p. 2) can be particularly disadvantageous for foreign MNEs (Eden & Miller, 2004; Rodgers et al., 2019). Similarly, strategic CSR based on principles of reciprocity can easily be co-opted by host-country governments. For example, Rodriguez et al. (2006) discuss how CSR practices relate to, and sometimes cross the line into, corruption. Hence, the somewhat narrow view taken by prior research suggests that traditional forms of corporate political activity may not be feasible without creating a perception of engagement in questionable practices, especially considering the complexity underpinning MNE–host government relations in emerging markets (Andrews et al., 2022; Hartmann et al., 2022).

However, the proliferation of the SDGs as an organizing framework for governing the global development agenda has resulted in a situation whereby strategic CSR and corporate political activities come together. At the 2015 New York UN Summit, 193 member states adopted a set of 17 SDGs with 169 targets as part of a sustainable development agenda aimed at ending poverty, protecting the planet, and ensuring prosperity for all. Given that MNEs as well as governments increasingly face pressure to implement the SDGs in order to contribute to improve local environmental, economic, and social conditions (Montiel et al., 2021), the SDGs may offer an opportunity to gain political influence without having to conform to illegal practices. That is, while the SDGs define high-level global objectives set and agreed upon by UN members (Montiel et al., 2021), they are vague, complex, and open to interpretation (Cuervo-Cazurra et al., 2022), especially in decentralized countries where MNEs must interact simultaneously with multiple political actors (Röell et al., 2022). This gives MNEs discretion to instrumentally adapt their SDG-directed nonmarket strategies to the idiosyncratic preferences of multiple host-country governments actors (Van Zanten & Van Tulder, 2018), while at the same time avoiding engagement in locally institutionalized illegal practices.

¹ See Table A1 for the definitions of our core constructs (online appendix).

² It should be noted that close exchange relationships with host governments can also backfire (Dieleman & Sachs, 2008). For instance, Fisman (2001) found that firms with connections with former Indonesian president Suharto lost value after the news of his illness.



To illustrate, central governments balance both domestic interests and global institutional pressures (Hartmann et al., 2022; Shin & Gond, 2024). In contrast, district governments are primarily focused on their constituents, for example, farmers, business owners, and religious leaders (Ford, 2003). At the district government level, corruption is often ubiquitous (Röell et al., 2022) and government officials may pressure MNEs to invest in projects aligned with their own personal interests. This may make it difficult for MNEs to gain influence without engaging in illegal practices. The SDGs, however, may allow MNEs to align their objectives (to gain political influence) with those of different government actors (either self-interest or the interests of constituents); a possibility not yet considered in prior research, suggesting a need for exploration into corporate political activity–CSR dynamics to understand how MNEs use the SDGs instrumentally to gain influence without engaging in illegal practices.

Methods

Given the complexity associated with how MNEs navigate emerging markets, we conducted a case study – a commonly used research strategy in IB (Piekkari et al., 2009). The case study design allowed us to engage in contextual theorizing (Welch et al., 2022) – i.e., to emphasize the specific country setting when theorizing about how MNE subsidiaries incorporate the SDGs into their nonmarket strategies to gain political influence.

Research setting: Indonesia

Indonesia is a suitable context to explore our research question for several reasons. First, MNEs operating in Indonesia face increasing pressure from governments and other stakeholders to invest in socially responsive strategies. While societal expectations for MNEs to be more sustainable are growing, politicians frequently question MNEs' legitimacy in Indonesia, "driven by the widespread belief that foreigners have long plundered Indonesia's resources and left locals none the wealthier" (*The Economist*, 2015). Similarly, district-level government officials are often suspicious of the intentions of foreign actors (*The Economist*, 2015; van Marrewijk, 2004). Thus, the SDGs provide ample opportunity to develop collaborations with the Indonesian government for MNE subsidiaries. In fact, the government's recently published "Roadmap of SDGs Indonesia," highlights the importance of cross-sector collaborations with private-sector firms in areas such as employment, education, and the environment (Bappenas, 2020).

Second, for MNEs, the question is not *whether*, but *how* to manage political ties. This is particularly challenging in

Indonesia, where the country's multifaceted and complex political environment requires multiple contacts with central and district governments that are prone to conflict (Andrews et al., 2022). From a historical perspective, under Suharto's rule (1967–1998), Indonesia was practically a dictatorship; foreign investors understood that the 'entrance fee' to investing in Indonesia was paid in Jakarta (Lee, 2013). After Suharto's downfall, triggered by the 1998 Asian financial crisis, Indonesia transitioned to a democratic system; decentralization is a significant characteristic of this transition. Indonesia consists of 416 district governments (roughly equivalent to counties), which make their own rules; these rules often change suddenly and unpredictably.³ Even when nationwide policies are set by the central government, "local wisdom trumps diktats from the central government" (*The Economist*, 2021).

Third, Indonesia is the biggest Muslim country in the world, and religious actors play an important role. Relationships in Indonesia are grounded on the principles, values, and norms that a partner brings to the relationship (Wijaya et al., 2022). In contexts characterized by institutional complexity, managers are known to rely on religion as a cultural-cognitive institution (Barnard & Mamabolo, 2022). Given the skepticism in Indonesia about foreign MNEs, it may be especially difficult for Western MNEs to influence governments on issues that clash with religious values.

Case selection

We examine four Western European MNEs that aim to influence host-country political actors through investments aligned with the SDGs. We identified these case organizations through the European Business Chamber of Commerce, which facilitated access to its member firms. The selected MNE subsidiaries in Indonesia employ more than 500 local employees, operate local production facilities, have been present in the region for at least two decades, and actively manage government relationships (see Table A2 for company descriptions). Large, longstanding MNEs tend to have the resources and need to influence host governments. Participants from the MNEs explained that the government increasingly intervened in industries dominated by large foreign MNEs, including the fast-moving consumer goods (FMCG) sector in which our studied MNEs operate. Given our aim to study how these subsidiaries used SDG-directed strategies to navigate the host country's nonmarket

³ In this study, we focus on the central and district government. Frictions between the MNE and the provincial governments were, according to our participants, of less importance, and thus beyond the scope of our study.



environment, we focused on MNE subsidiaries that had formally adopted the SDGs in their corporate strategy.

Based on interviews with 12 MNEs, we wrote case narratives outlining major challenges and opportunities faced by MNEs in Indonesia as they dealt with a politically challenging emerging market. During our initial interviews with these MNEs, we investigated how important it had been to invest in the SDGs and develop relations with governmental actors. The MNEs confirmed that their ability to build strong government ties in the host market through contributions to the SDGs had been the key factor for their continued success in the Indonesian market in recent years. Based on these interviews, we identified the four richest cases operating in the FMCG industry. This type of focused case selection allowed us to engage in comparative reasoning to produce robust theoretical explanations (Boswell et al., 2019).

Data collection

The phenomenon of our study – MNEs’ engagement in non-market strategies in Indonesia – unfolded, at least partly, under the radar, rendering it non-detectable based on public sources. Hence, we conducted interviews across hierarchical levels with subsidiary directors and managers, headquarters staff, former employees, and external experts (government officials, industry experts, embassy staff, various representatives of the Chamber of Commerce, and political consultants). This allowed us to represent accounts both from “above” and “below” (Westney & Van Maanen, 2011). The data set covered semi-structured interviews, non-participant observations, and company documentation. In total, we conducted 78 formal interviews, typically lasting around 1.5 h each, as well as numerous more informal, unrecorded conversations with relevant actors with knowledge of our context. Tables A3 and A4 provide an overview of the data sources. For confidentiality purposes, we have disguised the names of our case firms and participants.

The data were collected over a 5-year period (2017–2023). Although most of the 78 interviews were conducted in English (three in Indonesian and five in Dutch) and subsequently translated into English, speaking Bahasa as well as understanding and navigating the local context, assisted in interpreting and contextualizing local phrases. The first author conducted on-the-ground observations and interviews on a full-time basis between April and September 2018 in the Jakarta region. Between 2019 and 2020, he undertook additional interviews via Skype alongside informal conversations with participants and local experts. During this period, he made two additional trips to these MNEs’ home countries to interview managers who had finished their expatriate assignments. The first author further completed three more trips to Jakarta in 2021 (June–November), 2022 (June–November), and 2023 (April–June) to conduct further

interviews and follow up with participants. He also attended and observed several working groups and seminars organized by the European Chamber of Commerce and the Nordic Chambers of Commerce related to the SDGs and attended 19 relevant business-society meetings. These proved to be exceptionally useful in gaining access to some otherwise unreachable local executives.

Data analysis

We followed the data analysis procedures for contextual theorizing (Welch et al., 2022), which aims to build contextually rich, rather than universal, theoretical insights. It views context as essential to theorizing because of its explanatory, not only descriptive, power. This style of theorizing treats context holistically without aiming to isolate specific variables or relationships. It regards context as a constitutive of organizational phenomena, not as external to the study. In other words, the aim is to theorize *with* context rather than “*away from* context” (Welch et al., 2022, p. 8).

First, during the *within-case analysis*, we described the involvement of each MNE in Indonesia by tracing their SDG and corporate political activities over time. We interrogated the data to construct firm-specific narratives that identified the extent and type of challenges experienced by each MNE subsidiary. Alongside interviews, we used internal and external documents, such as company annual reports, reports in Euromonitor, and LinkedIn posts by company directors, as well as news stories in local newspapers such as *The Jakarta Post* to enhance our understanding of the local context. Synthesizing the interview data, fieldwork notes, internal documents, press reports, and news stories, we wrote rich case histories that ordered the events, activities, and choices over time (Langley, 1999). These narratives described the nature of SDG-directed strategies and the emergence of conflicts and tensions and detailed their outcomes in gaining political access and/or influence from multiple perspectives (see Appendix A2 for the case analysis).

Second, we performed a *cross-case analysis* and searched for patterns of similarities and differences across the cases, respondents, and time with respect to SDG-related activities. The patterns of similarities were crystallized in three types of SDG-directed nonmarket strategies – namely cross-sector partnerships, conflict management, and constituency building – and associated mechanisms as second-order codes. The case companies used them with different levels of host government to address heterogeneous government priorities, corruption, and skepticism about MNEs in Indonesia. To arrive at these types of strategies we coded for the nature of SDG-directed strategies and the emergence of conflicts and tensions, as well as the outcomes in terms of gaining political access and/or influence. We also paid attention to alignment between the subsidiary’s sustainability goals



and nationally prioritized SDG goals, the subsidiary's bargaining with corrupt officials, and its ability to mobilize stakeholders.

However, while coding as an analytical strategy uncovered some of the similarities between the four cases and contributed to typological theorizing (Cornelissen, 2016), it glossed over the differences between them. We therefore used other analytical strategies, such as comparative reasoning, to decipher cross-case differences (Boswell et al., 2019). For example, we noticed that the four companies varied in terms of their success in gaining political access to, and influence on, the Indonesian government. This prompted us to look afresh at the nonmarket strategies literature in an abductive way (Sætre & Van de Ven, 2021). We also used various visual aids, including figures and tables, to invite "generative moments" (Carlsen & Dutton, 2011). We asked two participants to clarify our understanding of the inner workings of the government and provide feedback on our emerging frameworks, which led to minor adjustments. We also conducted 19 additional interviews with government affairs managers of large MNEs to confirm our findings, which improved the validity of the study.

During data analysis, we were sensitized to the specifics of Indonesia as a democratic decentralized regime. The case MNEs experienced frequent government intervention, and the influence of Islam on the FMCG industry in which they were operating. By situating the MNE subsidiaries within the broader Indonesian social and institutional context we were able to refine our interpretation and engage in contextual theorizing (Welch et al., 2022).

Findings

MNEs and nonmarket strategy in Indonesia

Indonesia was described by participants as a highly trust-based society, ruled by personal and social relationship. Government officials tend to make decisions on a personal basis. It was thus not surprising that the MNEs' government affairs managers were all from the dominant ethnic group (Javanese) and the dominant religion (Islam). Participants also emphasized that political connections matter, and three of the studied firms (Consumer Goods, Mineral Unique, and Beer Company) had appointed a former politician to advise on the Indonesian political system. To illustrate, one case firm's (Consumer Goods) government affairs manager had temporarily worked as a government regulator before being reinstated as the company's head of government affairs, which "provided invaluable experience for navigating the political environment." Only Dairy Cooperative did not, at the time of the study, employ managers with government experience. However, the interviewees from this

MNE explained that, in the past, it had employed individuals with close links to the government. To manage government relations, the studied MNEs established government affairs departments responsible for managing subsidiary–government interactions, forming policy (i.e., policy development and lobbying) and handling licenses.⁴

Implementing the SDGs in Indonesia

Both the MNEs and the Indonesian government have formally adopted the SDGs as a guiding framework, resulting in shared goals. This allowed the MNEs to engage with governments and provide support in addressing socio-economic needs. According to Consumer Goods' Government Affairs Director:

Basically, all countries that are UN members have adopted the SDGs as part of the national goal anyway. But this is how we paraphrase it in front of the government: we are there to support your agenda. We are not going to take over your responsibility, which we cannot. And ... that's not our job, but we can help... through acceleration, knowledge building, leveraging expertise and so on. Clearly, for my role – which is all about engaging the government – the SDGs create a window of opportunity to collaborate on important local issues.

Local management of all firms emphasized the importance of aligning incentives with political actors – that is, engaging government officials in ways that harmonized with their objectives. Mineral Unique's Sustainability Director explained:

If you say: "we developed this program that will support your department's objectives," of course, they will help us because it will help them achieve their targets. If it's not aligned, they would not be interested in it at all; they just see it as extra work.

As such, the subsidiaries' government affairs managers were members of networks that determine government priorities and "national goals," including both formal (via industry associations and with government agencies) and informal networks (via personal relations with local officials and constituents). Consumer Goods' Head of Government Affairs explained:

It's critical to know what each ministry is focusing on. They have thousands of documents for planning, but

⁴ Government affairs managers represent subsidiary departments that may be called External Relations, External Affairs, Corporate Affairs, Government Affairs, etc., depending on the organization and context.



we need to know what the five big focus points are that will draw their attention. Where do I get that information from? From talking to their staff, and meeting with other firms or associations ... your network. Of course, we also use the SDG implementation roadmap 2030 published by Bappenas [the Ministry of National Development Planning].

As suggested above, government affairs managers regularly interact with stakeholders to identify locally relevant social issues aligned with government departments. In this way, they aim to translate existing sustainability targets – often set by global headquarters – into more specific local initiatives aligned with the government’s objectives. The above quotation also shows how the government’s SDG report, published by one of the ministries, has helped the MNEs identify with which departments they can collaborate. However, two important challenges frequently mentioned by local management: (i) the conflicting priorities of political actors and (ii) the prevalence of corruption.

Conflicting priorities of political actors in Indonesia

Participants explained that there were between 10 and 20 ministries that could impose potentially restrictive regulations.⁵ Coordination between ministries was in many cases limited or absent, and several participants referred to the “*silo culture*” in the Indonesian government. For instance, despite the Ministry of National Development Planning (commonly referred to as Bappenas) publishing the SDG Roadmap, both government officials and managers highlighted that government departments often had their own agenda and objectives that were frequently in conflict, especially when actors from different political parties were involved:

They [Bappenas] have the mandate to design everything related to the SDGs, but they do not consult the technical ministries while they do this. Sometimes, friction happens not with us, but between Bappenas and the technical ministries. They complain: “Why do you put our SDG goals this high?” And they will spend half a year fighting about this. To make matters even more complicated, when ministers come from different political parties, they will fight even more. For us, it is very challenging because we don’t know what their targets are and how we can best support them. (Corporate Affairs Director, Dairy Cooperative)

⁵ The central government of Indonesia consists of 30 technical ministries and four coordinating ministries (Cabinet Secretariat of the Republic of Indonesia, 2023).

A senior government official confirmed that there is often friction between ministries and limited contact between departments. Moreover, decentralization means that MNEs must engage separately with district-level governments where their factories are located. As such, regulations are sometimes in conflict or overlap between ministries and between district governments. Consequently, the regulatory environment was described by participants as “non-transparent” (Head of External Affairs, Consumer Goods), “conflicted” (Supply Chain Director, Beer Company), “overlapping” (Government Affairs Director, Mineral Unique), and “always moving goalposts” (Corporate Affairs Director, Dairy Cooperative). Thus, having the influence to prevent or alter potentially restrictive regulations was regarded as a major challenge for the MNEs.

Corruption in Indonesia

In 2021, Indonesia was ranked among the top 35% countries in Transparency International’s Corruption Perception Index (2023). Thus, not surprisingly, our MNEs frequently encountered requests for ‘extra fees’, particularly at the district government level. Indeed, our participants explained the difficulties they faced in a market in which many firms engage in illegal practices. Not ‘playing the game’ often resulted in significant delays in obtaining permits. Participants from all MNEs described how domestic firms typically gained influence through corrupt practices including bribery. Participants further explained that the MNEs’ strict corporate governance and location of headquarters in countries with strict anti-corruption laws prevented them from engaging in corruption, despite the difficulties in gaining political access and influence without doing so. Thus, given the political tensions and frictions with both the central and district governments, it has remained a challenge to build influence in the host market.

SDG-directed nonmarket strategies

We identified three strategies through which MNEs reconciled tensions and built political influence on central and district host governments in Indonesia; we label these ‘SDG-directed nonmarket strategies’ (see Table A5 in online Appendix for full case analysis).⁶ Table 1 summarizes the three SDG-directed strategies and the associated mechanisms, which we will describe in the following section (mechanisms are highlighted in *italics*).

⁶ By SDG-directed we do not mean that the strategies are directed by the SDGs, but rather *directed towards* the SDGs.



Table 1 Core constructs: SDG-directed nonmarket strategies and the constituent elements

Objective	Gaining political access to and influence on host-country governments in emerging markets		
Definition	SDGs change the way MNEs gain political access and build political influence by assisting governments in meeting host-country social needs. MNEs use SDG contributions instrumentally to develop collaborations, as bargaining tools, and for constituency building. Incorporating SDGs into the MNEs' nonmarket strategy can help navigate conflicting pressures in both central and district governments, high levels of corruption, and skepticism towards foreign MNEs. SDG-directed strategies can change negative perceptions of governments towards MNEs, facilitate access to political actors, and gain influence on host-country governments in emerging markets		
Strategies	SDG-directed cross-sector partnership	SDG-directed conflict management	SDG-directed constituency building
Definition	MNE initiated partnerships with host-government departments to achieve shared SDG goals, strengthen relations and influence legislative action	Actions aimed at managing conflicts and gaining influence on host governments by supporting SDG goals where there are weak political institutions and high levels of corruption	Mobilizing SDG-directed investments to gain the support of government-prioritized constituencies and indirectly influence governmental actors
When is the strategy used?	Used when government departments willingly collaborate on SDG initiatives. Occurs when cross-sector collaborations are aligned with and directly support department priorities. Allows MNEs to lobby governments directly and is effective in building trust with the government and changing negative perceptions of MNEs. Politicians may refuse to collaborations if they perceive them as harmful to their own legitimacy	Typically adopted at district (rather than the central) government level, where MNEs face a more hostile environment, and government officials are wary of MNEs' intentions. District government priorities are often not aligned with the SDGs or central government and may be motivated by personal gain. Successful when local government officials perceive direct benefits	An indirect or covert form of political activity, typically adopted simultaneously with the other two strategies. Community stakeholders can improve or disrupt an MNE's relationship with government officials. MNEs that invest in government's prioritized constituencies are likely to be viewed as legitimate by the government. Has the potential to make adversarial government relationships cooperative
Associated mechanisms that allow MNEs to navigate complex political environments in an emerging market	<i>Alignment</i> Both the MNEs and the Indonesian government have formally adopted the SDGs as a guiding framework, resulting in shared goals and allowing MNEs to engage with governments and provide support in addressing the socio-economic needs of the country. Identifying key government priorities and creating alignment is a relational process realized through interactions in which both political ambitions and corporate strategies set the price of access and influence. Implementing SDG initiatives that support targets of multiple ministries also enables MNEs to break down silos and navigate tensions between departments	<i>Bargaining</i> Instead of paying bribes, MNEs used SDG initiatives to bargain with local officials. As such, SDG contributions were used during their negotiations with government officials as a tactic to gain their support. Despite tensions between central and district governments, meaningful social investments would impress and nurture relations with both levels of governments. Not having this type of bargaining power would not only jeopardize the relationships they were trying to build but also suggest that the MNE had alternative means to support the government	<i>Generating a base of support</i> Supporting government-prioritized constituents directly helped navigate tensions occurring between MNEs and local governments. This strategy aimed to generate a base of support for MNEs. MNEs that invest in initiatives that aligned with both the SDGs and government priorities can sway officials to cooperate with MNEs rather than ask for bribes. Some community stakeholders lack direct influence on political actors – in each district in which MNEs have production facilities, they carefully identified which stakeholders are most likely to be able to influence district officials



Table 1 (continued)

Strategies	SDG-directed cross-sector partnership	SDG-directed conflict management	SDG-directed constituency building
	<p><i>Facilitation</i> MNEs used SDG initiatives to facilitate better communication between ministries, e.g., by inviting senior bureaucrats or politicians from multiple ministries on field trips to farmer communities. This enabling managers to improve relations with multiple government ministries and to facilitate communication between government ministries, in turn easing tensions or creating a dialogue when regulations were unclear or conflicting. MNEs also strived to gain support from coordinating ministries who oversaw regulating ministries by sharing SDG successes, which also helped MNEs resolve tensions between technical ministries</p> <p><i>International experience in developing partnerships</i> The MNEs' used their international experience to develop cross-sector partnerships with host governments, e.g., by sharing lessons learned reports and resolving conflict. Moreover, the MNEs invited experienced managers from other subsidiaries to visit the Indonesian subsidiaries and support setting up and managing partnerships</p>	<p><i>Localization</i> Localizing is important because all the MNEs have production facilities in multiple districts, meaning they must engage separately with officials in each of these districts. MNEs emphasized the importance of localizing goals set by the central government by demonstrating how they can improve local conditions in their respective districts. In times of need, social investments in collaboration with reputable central government politicians could also be leveraged by MNEs when district-level officials refused to cooperate</p> <p><i>International experience in dealing with corruption</i> The MNEs used their international experience, e.g., by setting up calls with government affairs managers from other developing and emerging countries to share negotiation tactics. Regional headquarters in Singapore typically facilitate such meetings</p>	<p><i>Stakeholder mobilization</i> This strategy allowed MNEs to leverage support among local community actors in times of need, including the mobilization of civil society actors to advocate on firms' behalf, e.g., when government officials refuse to provide licenses or ban a product in a district. MNEs can mobilize community actors against hostile initiatives by government leaders. Community support can also deter governments from implementing policies harmful to the MNE</p> <p><i>International experience in managing community relations</i> The MNEs took advantage of their international experience in engaging with community stakeholders, for instance by implementing successful community initiatives from other emerging markets. MNEs may also send experts from their home country or other countries to support Indonesian community projects. These initiatives proved invaluable in successfully supporting local communities</p>

SDG-cross-sector partnership strategy

The SDG-directed cross-sector partnership strategy is defined as MNE-initiated partnerships with host-government departments. These partnerships aim to achieve shared SDG goals while strengthening relationships and influencing legislative action, especially by the central government. For instance, Consumer Goods worked closely on SDG-related targets with nearly two dozen government ministries. This MNE has established its own foundation that works with the MNE's Government Affairs Department to ensure that local sustainability initiatives align with broader corporate objectives, and with the government's priorities.

SDG cross-sector partnership strategy and political access

Consumer Goods' Government Affairs Manager outlined how these partnerships allow it to learn about the government's preferences and better identify opportunities to lobby policymakers directly for their preferred policies:

Our SDG partnerships give us more access to the government, to understand their perspective, and at least have a dialogue with them. Because when the engagement happens in the partnership, the conversation with them about other issues is slightly different than perhaps with other companies which do not have such programs. At the ministerial level, they know that we are one of the good guys, we care for the com-



munity and our standpoint for any regulation is based on good intentions. We can easily approach them and say, “Hey, can you help me understand this proposed regulation, what is the government’s thinking behind it?” What also happens is that we become the point of reference for expertise. They often invite us for a dialogue, for instance, when they are preparing a certain policy related to farming or the circular economy. We have ... become a trusted advisor. (Government Affairs Manager, Consumer Goods)

Mineral Unique’s Government Affairs Director also explained that the recently published SDG Roadmap provided political access. He added: “our SDG initiatives have opened other channels for advocacy. We can go to any ministry and tell them how we supported the Ministry of Environment and that we want to support them too. Generally, they will then listen to us.” Thus, even if communication between ministries is limited, the MNE has used its successful collaborations as examples in developing relationships with other ministries. Similarly, during field visits to Indonesia, it was noted that government affairs managers had printed organizational charts of government agencies with names of government officials scribbled on them. When asked, the interviewees emphasized that knowing who is important for your business, and which government officials and ministries are on amicable terms, is a key part of gaining access to relevant political actors.

Our MNEs have experienced similar issues in other emerging markets. For instance, three MNEs mentioned they had also faced pressures and opportunities to engage in partnerships with the government in countries such as India. The MNEs leveraged their *international experience in developing MNE–government partnerships* to gain political access in Indonesia, through for instance ‘lessons learned’ reports or visits by experienced partnership managers from sister subsidiaries. As a Dairy Cooperative’s Corporate Affairs Director illustrated:

When we face certain issues with regulations or with the government, we often reach out to our Singapore team and ask ... [for] support. They may already have reports from other markets like India or Thailand, or they get us in touch and organize some meetings. This is an advantage ... as a big multinational with operations in many countries.

Our informants also noted that even when MNEs develop close relationships with relevant political actors, regulations amongst ministries often overlap or are in conflict. A mechanism used by all MNEs was to develop close relationships with Indonesia’s four coordinating ministries, which are “higher” in rank and authority and oversee the 30 technical ministries. At times, the MNEs’ close ties to

the coordinating ministers facilitated communication and sometimes indirectly influenced political decisions.

The Indonesian government is extremely hierarchical. They often don’t listen to other ministries ... at the same level. That’s why we make sure that we are very close to the coordinating ministries. They have more power and can influence the technical ministries. (Former Corporate Affairs Director, Dairy Cooperative)

However, there is sometimes friction between the coordinating and technical ministries. Dairy Cooperative’s Corporate Affairs Director also noted that reaching out to the coordinating minister without informing the technical ministries could “destroy all the groundwork you have done ... if they think you have gone behind their back. It can be very sensitive. You need to tell them very clearly when you involve the coordinating minister, who is basically their boss.”

A mechanism used by Dairy Cooperative (as well as Consumer Goods and Mineral Unique) was to *facilitate* communication between ministries by e.g., inviting representatives from different ministries on “field trips” to farming communities to show the impact of the SDG initiatives. For example, initiatives supporting farmers were relevant to the Ministry of Agriculture. But by also supporting farmers’ wives the initiative became relevant to the Ministry of Women Empowerment as well as to the Ministry of Health through family planning. Dairy Cooperative’s Regulatory Affairs Director even created a WhatsApp group to communicate directly with representatives of two ministries where relationships were previously strained. In this way, managers were able both to improve relationships with multiple government ministries and facilitate communication between them, thus easing tensions.

SDG-cross-sector partnership strategy and political influence

In our analysis of cross-sector partnership strategies and political influence by MNE’s SDG-directed initiatives, we highlight the case of Mineral Unique that encountered obstacles through divergent central government priorities in its efforts to shape regulations. This MNE had been trying to influence several aspects of the “Roadmap of Waste Reduction” issued by the Ministry of Environment and Forestry, particularly the regulation that plastic bottles containing less than one liter of fluids should be taken out of production. Despite the MNE’s efforts to increase the use of recycled plastic by establishing a plastic bottle recycling factory in 2021 in line with the government’s target, the MNE’s effort was undermined by the Ministry of Finance simultaneously putting forward (without inter-ministerial coordination with the Ministry of Environment and Forestry) a tax increase on plastic. As explained by the firm’s Sustainability Director:



Within the government there are many different departments, each with their own agenda. We invested a lot in our collaborations with the Ministry of Environment and the Ministry of Maritime Affairs to achieve the government's target to reduce plastic in the sea by 70% by 2025. Last year, the minister inaugurated our plastic recycling plant in East Java. They were very impressed with us. But the Ministry of Finance, when they need to boost income, they prefer to just impose a tax on plastic ... It is incredibly difficult to deal with so many different stakeholders within the government, each with its own agenda. (Sustainability Director, Mineral Unique)

This demonstrates that the firm's investments and efforts to influence government regulations are limited because of poor or absent intra-governmental coordination and conflicting priorities within the government. While some government ministries welcome collaborations with the private sector, establishing such partnerships with multiple or all relevant government ministries is not always feasible. At times, the firms sensed that government departments were looking for partnerships that involved "shared financial funds". Several participants noted that the potential for corrupt practices was too high and either avoided collaborations or set up collaborations without shared resources. At the time of data collection, Mineral Unique also faced a serious regulatory threat; the parliament had proposed a bill that allowed state-owned enterprises to control its market. According to the local management, this was one of the reasons several government departments had refused to establish formal partnerships with the firm.

Similarly, Dairy Cooperative used the SDG-directed partnership strategy with the Ministry of Health and the Ministry of Agriculture. The recently published SDG Roadmap highlighted the impact of the aging farmer population on milk self-sufficiency. In response, Dairy Cooperative initiated a dairy farming training program for young farmers, for which the government supplied the land. Representatives of several Indonesian government ministries involved in the partnership visited the subsidiary's programs and were keynote speakers at opening events. Such initiatives are regarded by Dairy Cooperative's management as especially valuable in the development of good relations with the government.

Subsequently, Dairy Cooperative was invited by the Minister of Agriculture to participate in dialogue on fresh milk regulation. This type of *alignment* between company objectives, the SDGs, and government priorities, generates Dairy Cooperative's political influence on standards and regulations. According to its Government Affairs Director:

We are now facing the challenge of the regulation of sugar, salt, and fat [by] the Ministry of Health. We've been working with them for years on our School Milk

Program, so it is easy to get a meeting with them. We don't think this regulation is good for us, so we want to lobby against it. But first, we will start by sitting down and saying: we have been supporting SDG 2 with our School Milk Program and SDG 8 with our farmers' program and only then we ask them to discuss the regulation. Of course, they will listen to us.

This illustrates how politicians are more willing to grant access to firms with a strong SDG record and how Dairy Cooperative can appear as an actor with expertise in socially relevant matters, augmenting their influence on certain political processes and serving as a source of power when negotiating with government representatives. However, communication between ministries is often limited, and several participants noted that ministries tend to operate in silos:

... sometimes we do a handwashing campaign with one [government] department, but another department issues another regulation, and there is not always communication ... so sometimes you cannot always directly reap the benefit. (Consumer Goods' Head of External Affairs)

Lastly, Beer Company had little success in gaining political influence with the central government. As a producer of alcoholic beverages, the company was more likely to be targeted for government revenue-raising excise duty, rather than being recognized for its SDG-related efforts. The predominantly Muslim political leaders are generally reluctant to affiliate with alcohol producers for religious reasons. Despite the firm's continuous efforts to prevent adverse policies, significant alcohol restrictions were promulgated in 2015. In the same year the parliament proposed a bill to completely ban the sale of alcohol. While the firm had recently enhanced the sustainability of its operations – for example, by using less water – these initiatives were not part of any formal cross-sector partnerships with the central government. Despite some success in building cooperative relations with one government ministry through increasing exports, aligned with the government's national priorities, it continued to face regulatory challenges. The case of Beer Company demonstrates the immense challenges faced by MNEs operating in complex host-country environments and the significant firm-level variance in their capability to influence political actors.

SDG-conflict management strategy

The second strategy we identified was SDG-directed conflict management, which refers to MNE actions aimed at managing conflicts while at the same time gaining access and influence on host governments by supporting SDG goals. This strategy is important in Indonesia characterized by weak



political institutions and pervasive corruption (Doh et al., 2003). Given Indonesia's challenging political landscape, entering and operating across diverse regions of the country often demands MNEs to engage in extensive negotiations with local authorities to address and resolve conflicts. The presence of multiple production facilities in different regions requires tailored approaches to negotiate access and influence in each of them. These must be resolved because once production facilities are established, high exit barriers provide powerful incentives to continue operations. When conflicts are not managed, relationships may deteriorate and additional costs may be incurred – for example, delayed or denied permits and licenses or rent-seeking behavior by corrupt officials. Indeed, while the MNEs strive to build personal relations with government officials to assist in tackling societal issues, there is often a transactional element present in these relationships in which government officials expect something in exchange for political access and influence.

SDG-conflict management strategy and political access

This type of strategy is typically adopted when attempting to gain political access at the district government level, where institutions are generally underdeveloped, and corruption is rife:

At the central level, our job is a lot easier ... The ministries are sitting close to the President, and he is very strict. Officials at the district government still expect more flexibility from companies to support them. Getting them to support us typically involves a lot of negotiating. While it would be so much easier to give ... money, we cannot do this. (Government Affairs Manager, Consumer Goods)

Two officials from the central government interviewed for this study confirmed that certain district governments still engaged in what they called “the old way of doing things,” implicitly referring to corruption. They made it clear that any type of bribery by MNEs of the district government would damage the MNEs' ability to develop cooperative relationships with the central government, which wants to change Indonesia's image as having high levels of corruption.

While the MNEs' government affairs managers were allowed to develop or strengthen relationships with local government officials using SDG-directed investments, they had to follow the guidelines set out by the global headquarters about the nature of these investments. These guidelines were not always aligned with local officials' demands. At times, district government actors' demands were what one participant described as “outrageous” – for example, one mayor refused to extend Beer Company's license to brew beer unless the company invested “millions of dollars to set

up a local football team” (Beer Company, Former Country Director). As such, demands were sometimes more aligned with the politicians' personal interests, than with those of the central government or local communities.

According to Mineral Unique's Corporate Affairs Director, officials frequently “demand social programs,” while Consumer Goods' Government Relations Manager explained that district “governments set their own rules, which are sometimes in conflict with the central government.” Despite the central government's adoption of the SDGs, friction between the central and district governments existed, stemming from the Suharto period (1967–1998) when power was concentrated in the hands of an authoritarian central government and all tax revenues were diverted back to the central government. This friction limited the effectiveness of the SDGs as a nonmarket strategy.

In varying ways, the MNEs leveraged their *international experience in dealing with corrupt officials* to gain political access. For instance, Consumer Goods and Dairy Cooperative's regional headquarters in Singapore played a coordinating role. When challenges occurred, the team in Singapore assisted by disseminating ‘lessons learned’ from other subsidiaries in the region. Dairy Cooperative and Beer Company typically developed more informal networks between government affairs managers in the region, who were asked to advise Indonesian managers. The studied MNEs had developed strict policies related to corruption, yet local subsidiary managers were encouraged to find alternative, legitimate means to gain access to key resources such as licenses and permits:

Let's say we have a conflict with one of the bupati [regents]. If we are not quite sure how to approach this or convince him we can support his region and that we need the licenses, we contact Singapore. They may already have best practices from let's say India or the Philippines ... For instance, with help from our Indian colleagues, we gave a demonstration on how we could help him [the Bupati] reduce water leakage and therefore increase the harvest of the farmers. In the end, he gave us the license.” (Finance Director, Mineral Unique)

This demonstrates how Mineral Unique turned the fraught relationship with a local official, who had repeatedly asked for ‘additional fees’, into a cooperative one: the participant was convinced that the investments would make a difference to his region. While the government official was able to claim credit for the investments among his constituents and be re-elected, Mineral Unique gained access to the required licenses, improved its relations, and contributed to its corporate sustainability goals.



SDG-conflict management strategy and political influence

The MNEs in our study used their SDG-directed investments during negotiations with government officials to gain political influence. Local MNE managers are aware that they need leverage in the form of SDG initiatives aligned with central government priorities to avoid damaging established ties to government ministries. Not having this type of bargaining power would not only jeopardize relationship building but would also suggest that the MNE had “alternative means” to support the government:

You cannot come empty-handed. Without a sustainability program, they will simply say, “Sure, we can help you.” This implies that they will help you only after you pay. But if we manage to work with the district government and help them achieve their sustainability targets, the politicians in the ministries will be happy with us. But if there are any rumors about corruption, we could lose their support. (Former Head of Government Affairs, Beer Company)

As such, SDG-directed investments were used to *bargain* with government officials and gain influence when discussing regulations or licenses with district governments in Indonesia. The nature of the investment would be determined by the outcome of the negotiation. Local MNE management explained the importance of *localizing* goals set by the central government to convince the officials of the importance of certain social issues in their respective districts:

The government often comes to us for something very tangible, like building new roads or renovating their office. That’s not our priority. We can help them with health-related issues that are related to the SDGs ... we try to convince them that it’s very relevant to them. For example, we emphasize how SDGs and national goals are relevant locally ... and this way, we can also tell the central government that we help the district government ... so it will also improve our ties to the central government. (Sustainability Director, Mineral Unique)

Localizing is important because all the MNEs have production facilities in multiple regions as mentioned earlier. Dairy Cooperative’s Corporate Affairs Director confirmed the instrumental nature of sustainability initiatives by describing SDG-directed investments as a “bargaining tool”. They often mentioned social contributions to local communities at the start of meetings with political actors. The instrumental nature of these investments is captured by the following quote: “Of course, we stress our SDG initiatives. I need ammunition and talking points when I go to the regent.” (Mineral Unique, Government Affairs Manager).

Dairy Cooperative used a specific tactic to gain political influence, signing a memorandum of understanding (MoU) with the central government related to a farming initiative. The MoU included a clause stating there would be no funds going directly to the district government. Here the MNE also emphasized that their initiative is part of a larger national project, which, according to the participant, helped prevent local officials from asking for bribes. The MNE’s Sustainability Director emphasized that any indication of corruption would damage or end their collaboration with the central government. However, some conflicts inevitably remain because economic and social goals sought by governments are not always aligned with those of the MNE, as Consumer Goods’ local manager explained:

When it comes to the district government, we have to let them see that we are fully supporting their agenda ... because our agendas are not always aligned. For instance, we do education and health and hygiene, which is aligned with SDG target 6.2. But the local government wants us to provide full scholarships for university students or high school students, which is not really aligned [with] our agenda. (Head of Government Affairs, Consumer Goods)

Despite the frictions between the central and district governments, at times, involving the higher echelons of government could provide the MNEs with political influence on district governments. Political networks and personal relationships matter in Indonesia. These types of relationships with the central government were often established because of close collaboration on SDG-related projects. For instance, if a senior political figure had roots in a particular district and still had close relationships with district officials, MNEs could leverage their networks in times of need but with caution and care.

SDG-constituency-building strategy

A third distinct strategy used by MNEs was to mobilize SDG-directed investments to gain the support of important constituencies among local communities, especially government-prioritized constituencies. The aim is to improve government relationships and indirectly influence governmental actors. This strategy is a covert form of political activity that *generates a base of support* for MNEs, which, in turn, exerts pressure on the government to meet MNEs’ regulatory needs. This type of indirect strategy was typically adopted to complement the cooperative and conflict management strategies, which influence the government directly.



SDG-constituency-building strategy and political access

Participants emphasized the importance of managing cooperative relations with community stakeholders because they can make or break the firms' relationships with the district government. District-level government officials are embedded in circles of community constituents, including dairy cooperatives and farmers, community leaders, business owners, and informal leaders (e.g., religious actors or clan leaders). When MNEs were able to get the support of government-prioritized constituents via investments in local environmental and social issues, their relationship with relevant government officials tended to be more cooperative, as explained by Dairy Cooperative's Corporate Affairs Director:

You must know who within the community is close to the local government. Of course, the governments rely on their constituents, so when we are supporting them, we are also supporting the government. In each region we put a lot of effort into identifying the relevant stakeholders – for instance, the farmers, the Islamic schools, or community organizations. Of course, we tell them, “Make sure you mention our initiatives to the Bupati [regent],” or we ask them to invite the Bupati to our events.

District-level government officials often seek bribes, which could, if exposed, have serious repercussions for MNEs' legitimacy with the central government, as well as result in legal challenges in the home country. Instead, the MNEs opt to invest in government-prioritized constituencies to gain access to and improve ties to the government, as this will help officials win the support of local communities and improve their chances of being re-elected. Central government politicians are aware of the corruption taking place at the district level, and positive stories about how MNEs have developed, for instance, farming communities, without any form of corruption, can ease these concerns.

However, securing the support of all relevant community stakeholders can be elusive. Both Dairy Cooperative and Beer Company encountered a situation in which supporting one constituent inadvertently alienated another. For instance, despite having developed cooperative ties with local farmers, Islamic leaders complained about not getting financial support for the renovation of the local mosque. This demonstrates that, while the SDG-directed constituency-building strategy can improve political ties and resolve tensions between the central and district government, dealing with local communities is challenging. Moreover, while community ties typically improved MNE–district government relations, their positive influence on government officials was not guaranteed.

SDG-constituency-building strategy and political influence

Interviews with government officials and local managers suggested that, in their decision-making processes, political actors are influenced by the needs of local constituents. The MNEs sought to identify government-prioritized community constituents where they had established production facilities. The local management of Mineral Unique explained the importance of local stakeholder engagement to gain political influence:

In one area, we already had the support of the local government. But when they heard that the local communities had complained ... they started stalling some of the permits and refused to provide us with some licenses. It took a lot of meetings with the community leaders to solve this. Eventually, after getting the community leaders on board, concessions [were] made regarding employment for locals, support for local farmers [was gained] and renovation of a mosque [was done], we got all the permits and licenses within a week. (Government Affairs Director, Mineral Unique)

District governments generally encourage MNEs to invest in projects aligned with their own interests, such as renovating government offices or setting up a football club and take credit for these investments. While the MNEs' investments do not respond to all government requests, they do allow government officials to gain support from their constituents and improve their chances of re-election:

We will tell the Bupati how we are supporting the local farming communities – for instance, with irrigation or training to improve their efficiency. We do all the work, of course. Then usually we organize an event where the officials come, and also the local media. We tell them, “You don't need to mention to anyone that the equipment and training come from us. You can take the credit. But, please, if there is someone from the government who wants to go against us or seek money from us, help us.” (Former Government Affairs Manager, Beer Company)

Despite this, Beer Company did not have significant direct influence in more conservative districts where local officials sought to promulgate alcohol bans on religious and moral grounds. The MNE gained the support of the Ministry of Industry, which often notified the firm about district governments that sought to ban local alcohol sales. While the ministry would not make public statements about supporting beer-brewers, it actively sought to avoid alcohol bans on the basis that they would hurt local industry. With the covert support of the ministry, the MNE engaged in responsible drinking campaigns with the aim of easing attitudes toward alcohol companies. Specifically, the MNE used what its Government Affairs Manager called grassroots mobilization, that is, seeking influence



through its network partners, such as distributors, hotels, bars, and restaurants. Together networks of business partners lobbied local authorities and influenced the district government. We label this mechanism *stakeholder mobilization*, which can be a covert form of nonmarket strategy.

Discussion

This study aimed to examine how Western MNE subsidiaries use the SDGs instrumentally to gain access to, and influence on, emerging market governments without engaging in illegal practices. The strategies by which ‘doing good’ is repurposed to gain political access and influence in emerging markets are underexplored in the IB literature. Our case study reveals three SDG-directed nonmarket strategies – SDG-directed cross-sector partnership, SDG-directed conflict management, and SDG-directed constituency building – and associated mechanisms. They point to the tensions faced by MNEs in emerging markets such as Indonesia, characterized by heterogeneous government priorities, corruption, and skepticism. We consider these insights to have important implications for both theory and practice.

SDG-directed strategies to manage corruption and skepticism in emerging markets

One objective of our study was to draw attention to the novel ways in which nonmarket strategies are enacted in emerging markets. Commonly used strategies to build influence (e.g., campaign contributions or outright bribes) in emerging markets are often not allowed under the regulatory and governance structures of MNEs in advanced economies. Even if campaign contributions are allowed, they are often portrayed in the media as the functional equivalent of bribes.

We found that the MNEs deployed SDG-directed nonmarket strategies to collaborate, bargain, and build constituencies. Despite pressure to engage in illegal practices (Beets, 2005), we found that the SDGs can provide valuable political access to MNEs, creating an environment in which these firms can enhance the efficacy of their lobbying activities, while also changing negative perceptions towards them. Echoing ideas around informational lobbying (Hillman & Hitt, 1999), but with a focus on information which is unrelated to the MNE’s core business, we found that demonstrating to government officials how working towards achieving the SDGs supports their interests helps MNEs obtain valuable access to regulators. That is, when the MNEs’ government affairs managers sought to gain a better understanding of government regulations, or influence decisions, they faced less opposition. Political access, in this context, is therefore not just about getting a foot in the door but more about constructive and continuous dialogue. Indeed, politicians were more willing to engage in dialogue with MNEs with a strong

track record of supporting the government’s SDG targets. This creates an image of the MNE as an expert in socially relevant matters that support government interests (van den Broek, 2024). Future research could systematically examine the antecedents of the three SDG-directed nonmarket strategies that we have identified. Understanding which MNEs are more likely to deploy which strategy and in which context would contribute to a more holistic understanding of the phenomenon.

Our findings suggest that overcoming hostility and corruption means finding novel ways to relate with host governments (Busch & Barkema, 2022; Stevens & Newenham-Kahindi, 2021). Our study advances previous work by showing that the MNE managers interacted with various political actors and their constituents to identify locally relevant SDG goals that align with the objectives of the relevant regulating ministries. Creating such political alignment is a relational process realized through interactions in which both political ambitions and corporate strategies set the price of access and influence. Hence, while it is established that SDGs present shared goals (Montiel et al., 2021), we show how Western MNEs exploit this to their advantage by developing collaborations with government agencies regarding shared economic, environmental, and social issues. By doing so, the use of the SDG-directed nonmarket strategies also allows MNE subsidiaries to overcome the liability of foreignness more readily across subnational regions in an emerging market context (Benischke et al., 2023). Specifically, the combined effect of SDG-directed nonmarket strategies and associated private benefits for local policymakers mitigates expectations that MNEs conform to local corruption practices.

An important enabler for Western MNEs to instrumentally deploy SDG-directed nonmarket strategies was the ability to leverage their international experience. For instance, MNEs’ regional management centers became boundary spanners to integrate experience across their operations, offering ample opportunities for IB scholars interested in questions of MNE regional strategy and organizational design. Consistent with recent work on MNEs from emerging markets, we highlight how different types of resources, such as experience and capabilities, allow firms to operate in environments with institutional voids (Castaldi et al., 2019). The three SDG-directed nonmarket strategies we have identified are not likely to be exclusive to Western MNEs. However, their resources and international reach offer MNEs more capacity and opportunities to develop successful initiatives and partnerships, negotiate with corrupt officials, develop initiatives that widen the support of local communities (Montiel et al., 2021), and use their experience to co-create the rules of the game in host countries (Regnér & Edman, 2014). This suggests that, compared to domestic firms, MNEs from advanced economies not only have



more incentives to develop SDG-directed nonmarket strategies due to the legal environment and governance structures in their home countries (Beets, 2005), but are also better equipped to implement these strategies in countries characterized by high levels of corruption and skeptical views of outsiders.

SDG-directed strategies to manage heterogeneous state priorities in emerging markets

Heterogeneous state priorities and tensions between government departments have been recognized as defining features of democratic emerging markets (Andrews et al., 2022), but they are rarely considered in the nonmarket strategy literature. Our findings challenge the typically dyadic view of MNE–host country relations to consider the dynamism of political networks. Active engagement with lower levels of government became particularly important during Indonesia’s decentralization, in which the central government handed over power to the regions (Röell et al., 2022). MNEs were required to substitute central government contacts with district government contacts to maintain access to resources and licenses. They also had to align incentives by localizing SDG targets set by the central government with government officials in different regions. However, due to relatively weak governance structures, the decentralization process has resulted in friction between political actors and ambiguity in policies and regulations (Marquis & Raynard, 2015). MNEs may be able to establish partnerships with government agencies by aligning their social investments with government priorities. However, the benefits (e.g., access to policy-making and inclusion in dialogues) may be limited to the respective agencies due to the ‘silo culture’ (Scott, 2020), inter-party rivalries, corruption, and lack of expertise in governance and lawmaking inherent within emerging markets. Thus, future research could employ a network perspective to examine the strength and number of government relationships at different levels of the political system.

Our study illuminates that one way to navigate tensions between regulating ministries, while also turning social investments into political access and influence, is to develop SDG-directed cross-sector partnerships. This SDG-directed nonmarket strategy may *simultaneously* support the SDG targets of several ministries and facilitate better relations between them. Indeed, building up political capital through networking with multiple government ministries and at various levels of government is an important long-term strategy (Luo, 2001). As such, our findings echo the ‘multiplicity’ concept, suggesting that the number and variety of actors matter for MNE subsidiaries. In our case study, the MNEs had to engage numerous government agencies at different levels of government, with different, sometimes conflicting priorities (Röell et al., 2022). Meaningful social investments

may nurture relations with multiple governments and resolve divergent priorities that characterize decentralized emerging market governments. Future research may explore further the microfoundations of SDG collaborations between MNEs and multiple government agencies whose priorities differ.

Prior research on MNE–host government relationships is dominated by two somewhat opposing views: the conflict-based view and the cooperative view (Luo, 2001). The conflict-based view (Boddeyn, 1988;), while not excluding cooperation, is dominated by the assumption of a bargaining game in which both MNEs and host governments act in their own interests. In contrast, the cooperative view emphasizes the importance of interaction and networking with officials and the requirement of responsiveness to their social and political needs (Luo, 2001). Our study offers a complementary perspective, showing that if the potential for heterogeneous state priorities is considered, MNEs may have to engage *simultaneously* in multiple cooperative and adversarial government relationships at various levels of government. We further show that by investing in government-prioritized constituents MNEs can turn adversarial government relationships into more cooperative ones. Hence, the SDG-directed nonmarket strategies identified in this study are particularly suitable to address the downsides (e.g., legal and governance issues) of traditional nonmarket strategies and highlight the advantages when addressing multiple levels of government that are not aligned.

Nonetheless, in situations in which MNEs could not sufficiently overcome obstacles to cultivating political access and influence, we found that MNEs turned to a novel form of covert nonmarket strategy; SDG-directed constituency building. This strategy was especially helpful in influencing district government officials who were wary of foreign actors’ intentions. Compared to central government actors, district-level policymakers generally care about, and are influenced by, their constituents’ needs because they are closer to them (Ford, 2003). We add nuance to Blake et al. (2022) argument that cultivating the main constituencies of politicians—rather than leaders directly—may help firms gain political legitimacy. This strategy encourages the mobilization of stakeholders to advocate on firms’ behalf. In all cases, the emphasis for MNEs was to engage in political activity both within and outside formalized political channels to achieve their political ends. As such, where it appears authentic, covert political mobilization by MNEs can be an effective form of political influence. Thus, there is a need to further study the conditions under which the expected outcomes—political access and influence—materialize.

An important observation is that while the case study approach is not suitable for making statistical generalizations, it allows for contingent generalization (George & Bennett, 2005), that is to generalize based on careful



specification of the contextual conditions under which political access and influence may occur. Our contextual insights from Indonesia shows that a decentralized emerging market democracy differs in important ways from autocratic regimes (e.g., Zheng et al., 2022). In autocratic systems, where the central government has great power, conflict between multiple levels of government is often limited. In Indonesia, on the other hand, the different levels of government tend to hold opposing views without one being able to overrule the other (Andrews et al., 2022). Therefore, MNEs operating in decentralized democratic regimes need to adopt nonmarket strategies that differ from traditional ones by considering goal conflicts and lack of coordination between levels of government. We recognize that democracies are far from homogenous, which clearly has implications for our findings. As such, it is plausible that a comparative analysis would bring to the fore important nuances between SDG-directed nonmarket strategies in different types of political systems, including democracies, autocracies, and hybrid-regimes. Future research could also investigate how SDG-directed nonmarket strategies play out in environments characterized by different types of corrupt environments (e.g., pervasiveness versus arbitrariness).

Lastly, the relationships between MNEs and the multiple political actors in a given host country may evolve over time, for example as a result of iterative political bargaining (Eden et al., 2004). While some evidence in our data suggested iterative political bargaining, exploring this was beyond the scope of our study. We encourage IB scholars to further explore co-evolutionary dynamics between MNEs and governments in the SDG context.

Implications and conclusion

Embracing the SDGs in IB has implications for both MNE executives and governments in emerging markets. The usual attitude in the face of grand challenges (e.g., climate change and poverty) is to ask governments to coordinate their actions and collaborate in addressing them. MNEs are uniquely positioned to assist governments in achieving the SDGs, given their resources, global network, and international experience. Especially in emerging markets, there are ample opportunities for executives to draw the host governments' attention and interest to collaborate on social, economic, and environmental issues. At the same time, the international business context is increasingly politicized, and executives are often confronted with governments that are skeptical about the intentions of foreign MNEs. We show that in emerging markets where political connections are vital, executives repurpose 'doing good' for political ends.

However, we argue that MNEs' nonmarket strategies neither follow a strict economic nor a social logic, but inherently feature a dual logic. While executives make market-based decisions, the extent of their engagement does not indicate a *quid pro quo* logic, but an interest in contributing to larger societal goals. As such, the SDGs are an effective institutional design not only to redirect and align resources from both MNEs and governments to contribute to the larger societal good, but also reduce incentives for harm or undertaking illegal actions and short-sighted business decisions.

Constructive dialogues between manager and government officials can not only be an alternative for corrupt practices, but also leverage the MNEs' global experience to improve weak governance structures that have often led to friction between political actors and ambiguity in policies and regulations. Developing a comprehensive SDG-directed nonmarket strategy that addresses such friction can, in turn, break down silos and resolve regulatory gaps. The benefits of SDG-related strategies in the public policy environment, such as overcoming nationalist bias, fewer bribe requests, and better overall relations with the host government may, over time, translate into increased subsidiary competitiveness. It should be noted that these strategies can also have negative effects by entrenching political actors which, in turn, may have other negative social consequences.

This study also has implications for emerging market governments that seek to attract and retain foreign direct investment from sustainable investors. Governments cannot fund their SDG priorities with public capital alone. Governments must lead, but progress is being held back by political and regulatory obstacles. For example, while Indonesia's central government generally has favorable attitudes toward collaborative SDG-directed efforts, district governments are more hostile, with rampant corruption. Therefore, governments may reward investments that contribute to the SDGs, and provide clear guidance and multi-stakeholder platforms to foster effective collaborations. For instance, governments could provide regulatory incentives or tax exemptions for MNEs to reduce post-consumer land-based waste and prevent it from entering marine ecosystems. It is likely that meaningful SDG collaboration between governments and MNEs can increase the attractiveness of a market, particularly when it improves societal conditions, ultimately leading to increased levels of FDI.

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