

# Bargaining and Nonbargaining Nonmarket Strategies: A General Model and Data From Post-Communist Countries

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## Abstract

This article addresses a theoretical gap in the literature by highlighting the significance of nonbargaining nonmarket strategies of firms. Relying on neo-statist political theory, we propose a theoretical model that hypothesizes a reliance on nonbargaining nonmarket strategies in situations marked by historically and situationally conditioned weakness of societal forces relevant to a firm (including the firm itself) as well as when relevant state institutions display high degrees of professional, structural, and ideological bureaucratic insularity. We survey 165 managers (each representing a separate firm) from 14 countries in Eastern Europe and Central Asia about the strategic importance of the nonmarket strategic initiatives. Our novel survey instrument captures a broader range of nonmarket strategic initiatives than previous empirical research has examined. The survey results provide preliminary support for our model, although the findings suggest the need for more research in different regional contexts.

## Keywords

business and political strategies, corporate political activity, international business–government affairs, lobbying, neo-statism

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Nearly, three decades ago, in a classic article, Boddewyn and Brewer (1994) mapped the broad territory of firms' "interactions outside of, and in conjunction with, markets" (Baron, 1995), by introducing the typology of "bargaining" and "nonbargaining" nonmarket strategies. The former consist of conflictual and collaborative types of relations between businesses and government agencies (Id. 129), while the latter consist of "compliance, avoidance and circumvention [of] the rules imposed by the State" (Boddewyn & Brewer, 1994, p. 128).

Boddewyn and Brewer's ambition to emphasize both bargaining and nonbargaining interactions with firm's nonmarket environment has rarely been followed by the subsequent extant literature. Instead, its overwhelmingly dominant focus has been on bargaining nonmarket strategies. We define bargaining nonmarket strategies as firm's strategic interactions with its nonmarket environment that primarily consist of explicit or implicit, transactional or relational, partnership or conflictual exchanges between, on one hand, the firm and its managers, and, on the other, governments and their elected or career officials. The emphasis on bargaining nonmarket strategies reflects the broader academic dominance of North American pluralist and rational choice political theory. This tradition regards political life as an analogue to competitive markets in which politicians "supply" favorable policies to "consumers" consisting of businesses and their interest groups (Lenway et al., 2022). Hillman and Hitt (1999) added a time dimension to this picture. Business-government exchanges that unfolded in a shorter time frame were dubbed "transactional" exchange while the ones focused on the mid-to-long-term were called "relational" exchanges.

What the extant literature almost uniformly overlooks, however, is the nonbargaining nonmarket strategies. Our article addresses this gap. We define nonbargaining nonmarket strategies as a firm's strategic interactions with its nonmarket environment that do not primarily rely on explicit or implicit, transactional or relational, partnership or conflictual exchanges between, on one hand, the firm and its managers, and, on the other hand, governments and their elected or career officials. Just as bargaining approaches have been clearly rooted in a rational choice tradition, we propose to deepen our theoretical understanding of the nonbargaining nonmarket strategies by referring to neo-statist political theory. This established line of scholarship within political science has been rarely mentioned within business and society research. It focuses on the historically conditioned, structural, professional, and ideological autonomy of the state and its apparatus from relevant societal forces.

Our study proposes a general model that comprised not only bargaining nonmarket strategies, but also nonbargaining ones. It connects nonbargaining behavior to a historically conditioned weakness of societal forces and to high

degrees of professional, structural, and ideological bureaucratic insularity of state institutions. We conduct a preliminary test of our model using dataset collected in an emerging, developing, or transitional (EDT) region: 14 post-communist countries in Eastern Europe and Central Asia (EECA). Our novel survey instrument captures a broader range of nonmarket strategies than previous empirical research has examined.

Our results are noteworthy. Overall, managers in our sample see nonbargaining nonmarket strategies as equally important as bargaining ones, which have long been the almost exclusive focus of the extant literature. The three most important strategies reported were all nonbargaining. Furthermore, this result holds regardless of the level of the institutional development of a country, in which our respondents operate. Nonbargaining nonmarket strategies are especially important for medium-sized firms and for firms belonging to industries that are not critical for governments of countries in which they operate. Overall, our results indicate both the prescience of Boddewyn and Brewer's (1994) work in illuminating the importance of nonbargaining strategies within firms' nonmarket arsenal, and the folly of most other nonmarket strategy scholars in ignoring it in their narrow focus on bargaining strategies.

Our article is organized as follows. The "The Extant Literature" section reviews the extant literature, highlighting its focus on bargaining nonmarket strategies. The "Bargaining and Nonbargaining Strategies: A More Comprehensive Taxonomy" section operationalizes the definitions of bargaining and nonbargaining nonmarket strategies introduced above. This leads us to a presentation of our proposed general model of bargaining and nonbargaining behaviors in the "Bargaining and Nonbargaining Strategies: The General Model" and "Model Elaboration and Hypothesis Development" sections. The "Empirical Research Context, Methodology, and Data" and "Empirical Results" sections describe the empirical contribution. The "Discussion, Limitations, and Conclusions" section concludes and outlines future research opportunities.

## **The Extant Literature**

The post-World War II (WWII) study of politics witnessed competition between a traditional, state-centered theoretical approach and society-centered revisions (Jessop, 2016, p. 75). The state-centered paradigm was reflected in the "old institutionalism" (Rhodes, 2006, p. 94), dominant in political science until the 1950s and focused on formal structures of state. In international relations theory, state centrality was a pillar of traditional realism (Sanders, 1996, p. 429), which influenced early streams of the

management literature on political risk. Root (1972, p. 355), for instance, modeled the political environment as largely autonomous of market participants and defined political risk as the “possible occurrence of a political event of any kind . . . at home or abroad that can cause a loss of profit potential and/or assets in an international business operation.”

Vernon (1971) challenged this conceptualization when he proposed that the international political environment was more accurately characterized as the consequence of conscious and deliberate bargaining between multinationals and host governments. This new approach was related to a broader paradigm shift that had earlier taken hold in political science and international relations theory a decade before. Political theorist Robert Dahl (1961), among others, challenged the state-centered approach arguing that the state was little more than a collection of individuals—a government—who acted in response to societal forces surrounding them. This society-centered view of government was methodologically reinforced through rational choice theory, which portrayed democratic politics as a market in which pressure groups and politicians engaged in mutually beneficial transactions (Downs, 1957; Stigler, 1971).

By the early 1990s, the literature conceptualized nonmarket strategy primarily as corporate political *activity* (CPA). That framing implied a strong endorsement of a society-centered view of government as a “set of agents” (Boddewyn & Brewer, 1994, p. 127) and the consequent prediction that “there is always a political market for facilitating services and beneficial decisions [of] governments” (Boddewyn & Brewer, 1994, p. 127). Bonardi et al. (2005) considered, in the same vein, the “relative attractiveness” of a democratic political market. According to the authors, that attractiveness determines the effort and resources employed by firms in entering this market (see also Bonardi et al., 2006; Bonardi & Keim, 2005; Kingsley et al., 2012).

As a number of literature reviews and meta-analyses published over the past 15 years show (Hadani et al., 2017; Hillman et al., 2004; Lawton et al., 2013; Lux et al., 2011; Wrona & Sinzig, 2018), the literature that emerged from the politics-as-a-market consensus has developed research questions and testable hypotheses in three broad areas: the antecedents of bargaining nonmarket activity; the forms and configurations of that activity as well as its outcomes both for public policy and firm performance.

The bargaining consensus was accompanied by an occasional acknowledgment of another class of business–government interactions. As mentioned above, the classic statement to this effect was Boddewyn and Brewer (1994). But the interest in the nonbargaining nonmarket strategies can be traced to earlier scholarship. In their seminal book, Pfeffer and Salancik (1978) outlined two broad approaches that an organization can take in response to its

nonmarket environment: influencing that environment through political means or absorbing the costs and uncertainties that this environment generates. Weidenbaum (1980, p. 9) offered a number of alternative strategic approaches to “playing . . . and active role in the development of public policies.” These effectively nonbargaining alternatives included “passive reaction” to the introduction of new regulations, “positive anticipation” when firms “us[e] their planning capability to forecast and adjust to changes in business regulations that are likely to come” (Weidenbaum, 1980, p. 8) as well as turning emerging regulations into business opportunity. Mezner and Nigh (1995, p. 975) observed, likewise, that, rather than actively influencing its nonmarket environment, firms can “seek to adapt organizational activities . . . to meet and exceed regulatory requirements.” Salorio et al. (2005, p. 31) described nonbargaining nonmarket strategy in purely negative terms as “non-use of influence,” further confirming the dominant negative way of defining nonbargaining nonmarket strategy—the approach followed in this article.

De Villa et al. (2018) explored the conditions under which companies pursue what they call “engaged” and “nonengaged” nonmarket strategies. They concluded that nonengagement is either a sign of “challenging host country institutional conditions” or “the distance between home and host government relations.”

While not focusing explicitly on nonbargaining nonmarket strategy, earlier research offered implicit insights on when nonbargaining may be more effective. Choi et al. (2015) hypothesized, for instance, that where partisan political competition is high; where governmental systems are characterized by multiple tiers, but that decision-making is centralized, the effectiveness of lobbying is reduced. Analogously, Macher and Mayo (2015, p. 2022) suggested that firms “have more policymaking influence in industries with fewer competitors and in countries with more independent government branches and greater preference heterogeneity across these branches.” This focus on conditions in which bargaining approaches become more effective implicitly points to the conceptual possibility of the nonbargaining approaches, negatively defined as “non-engagement,” “non-influence” or “non-participation” in a political market. The goal of our study is to make those implicit acknowledgements of nonbargaining nonmarket strategies more explicit and theoretically grounded.

## **Bargaining and Nonbargaining Strategies: A More Comprehensive Taxonomy**

Before we introduce the model that explicitly builds on the concepts of bargaining and nonbargaining nonmarket strategy, we operationalize our

definitions introduced in the “The Extant Literature” section. Our approach here is not especially novel: as with many studies in the field, we realize that, for testing purposes, nonmarket strategies should be understood in taxonomical terms.

While (as we discuss in the final section), such a taxonomical approach is not free of its limitations, it is widely employed in the extant literature. Keillor and Hult (2004, p. 314) argue that “the firm-level political activities generally accepted in the current literature have been narrowed to eight.” Hillman (2003) asks respondents to describe the incidence of 18 political tactics that they use in the business–government relations strategies.<sup>2</sup> The gap in these, and other taxonomies is that they ask respondents exclusively about the incidence of bargaining strategies. The explicit absence of nonbargaining strategies in their surveys eliminates, a priori, their significance.

In response to this, we have developed a comprehensive classification scheme of mutually exclusive types of nonmarket strategies of both the bargaining and nonbargaining types (Doty & Glick, 1994). Drawing on the extant literature, we classified 19 generic nonmarket strategies as either bargaining or nonbargaining. To test the relevance and ascertain the content validity of our taxonomy, we convened a panel of five expert scholars who have been leading researchers in the field of nonmarket strategy and asked them to classify strategies as either bargaining or nonbargaining.

Table 1 presents our taxonomy. In the interests of parsimony, we do not discuss in detail the definitions of bargaining strategies since they have been extensively covered in previous research and are also referenced in the table. Column 2 presents the operational definition of a given type of nonmarket strategic initiative which we used both in our expert questionnaire and in our survey of managers (see the “Bargaining and Nonbargaining Strategies: The General Model” section). Column 3 provides a definition from the extant literature characterizing a given strategy as either bargaining or nonbargaining which is reported in Column 4. Column 5 represents the results of our expert survey, indicating the percentage of the expert panel that found a given strategy to be of the bargaining type. Both the literature review and the results of the expert panel confirm that the majority of strategies included in our taxonomy are of the bargaining type. Virtually, all of them are broadly discussed in the extant literature and were confirmed by the expert panel with strategies B1 through B7 being unanimously classified as bargaining by the panel.

One expert panelist characterized three of our strategies as “both” bargaining and nonbargaining, which potentially may be an indication of the problems with our taxonomy. However, given that this was one isolated view, and related to a small number of our strategies, we concluded that it was not

**Table I.** Taxonomy of Nonmarket Strategies.

1	2	3	4	5
Strategy	Definition	Source in the literature	Bargaining or nonbargaining	% of experts classifying as bargaining
B1	Lobbying Alone or as a part of an industry group or chamber, officially advocating for favorable regulations, either in (name of the country where respondent works) or with help of a foreign or international organization	Keillor & Hult (2004); Hillman (2003)	Bargaining	100
B2	Bribery solicitation Proactively offering commissions, discounts, or gifts to public officials to improve the responsiveness of public administration, save time, or receive favorable treatment	Zahra et al. (2005); Doh et al. (2003)	Bargaining	100
B3	Bribery extortion Yielding to demands from public officials for money or gifts in exchange for avoiding administrative harassment	Hindriks et al. (1999)	Bargaining	100
B4	Campaign contributions Providing legal, official financial contributions to candidates or parties, legally paying public officials to speak at your firm or covering their travel or accommodation costs	Hillman (2003)	Bargaining	100
B5	Information Providing information to public policymakers, including commissioning research or reporting research results, publishing position papers or technical reports, or testifying before governmental committees	Hillman (2003)	Bargaining	100
B6	Grassroots mobilization Using economic and/or political education programs or otherwise mobilizing citizens to support your firm's position	Hillman (2003)	Bargaining	100
B7	Networking Developing personal relationships with state officials, so that, when issues arise that may affect your firm, the contacts are already in place to attempt to influence these issues	Keillor & Hult (2004); Peng & Luo (2000)	Bargaining	100
B8	Proactive litigation Initiating legal actions, or threatening other market players with such actions, in order to obtain a business advantage	Edelman & Suchman (1997)	Bargaining	80
B9	Threats Exerting strong direct pressure or informally warning businesses or individuals who behave in a way that adversely affects your firm (by not paying, competing unfairly, etc.)	Böhm & Pascucci (2020)	Bargaining	80
B10	Exposure Responding to illegal demands from public officials by exposing these demands in the media or elsewhere	Den Hond et al. (2014)	Bargaining	80

(continued)

Table I. (continued)

1	2	3	4	5	
Strategy	Definition	Source in the literature	Bargaining or nonbargaining	% of experts classifying as bargaining	
B11	International assistance	Responding to an unfavorable action of a state institution by seeking help from international organizations, embassies, and so on	Hillman (2003)	Bargaining	70
B12	Collusion	Coordinating with your competitors on prices, tender proposals, or market shares	Peng et al. (2008)	Bargaining	60
B13	Reactive litigation	Going to a domestic or international court or arbitration in response to an unfavorable action of a state institution or a competitor	Hinthorne (1996); Edelman & Suchman (1997)	Bargaining	60
B14	Local partner	Relying on influential local partners or specialized contractors (law firms, political consultants, etc.) to deal with administrative issues that may affect the way your firm operates	Doh et al. (2003)	Bargaining	50
N1	Compliance	Complying with regulations or procedures (such as registration, labor, tax, product safety, real estate etc.), even if costly or time-consuming, in order to avoid trouble	Boddewyn & Brewer (1994)	Nonbargaining	20
N2	Avoiding regulations	Looking for ways to avoid the impact of costly or time-consuming regulations or procedures (such as registration, labor, tax, product safety, real estate etc.).	Boddewyn & Brewer (1994)	Non-bargaining	20%
N3	Theft	Unofficially utilizing resources that belong to the public or to other companies—both material (natural resources, including unofficial pollution) and non-material (patents, software, product designs)	No specific mention in the literature, but clearly follows the definition of Baron (1995) and Boddewyn & Brewer (1994)	Nonbargaining	10
S1	CSR	Supporting, beyond legal requirements, your employees, customers, suppliers, local communities, philanthropic causes, or the natural environment	Carroll (1979)	Nonbargaining	10

Source. Authors' own.

Note. CSR = corporate social responsibility.

indicative of a deeper problem with the mutual exclusiveness of the constructs included in our classification (Snow & Ketchen, 2014). In Column 5, we interpreted the three responses in question by treating them as half a response for bargaining and half for nonbargaining.

When it comes to the nonbargaining strategies, our taxonomy is modest. Its core is still rooted in the Boddewyn and Brewer (1994) formulation of nonbargaining strategies as consisting of “compliance, avoidance and circumvention [of] the rules imposed by the State” (p. 128) or similar institutional definitions (Ahuja & Yayavaram, 2011). Compliance is taken directly as strategy N1. Avoidance and circumvention were not clearly defined by Boddewyn and Brewer. When we attempted to formulate an operational definition, it became clear that the two strategies are heavily overlapping. The resulting strategy, N2, is about “looking for ways to avoid the impact of costly or time-consuming regulations or procedures.” Any effort of this kind would, semantically, be both an attempt to circumvent the regulation and avoid their impact.

Our dichotomous focus on compliance and avoidance is supported by the classic study of Pfeffer and Salancik (1978). The authors regard compliance as representing a lack of organizational autonomy to shape the external context of the firm and to influence external stakeholders, such as the state. Avoidance, in turn, represents an attempt to escape scrutiny from external stakeholders. Avoidance is most effective when it is difficult to detect. This is, in turn, directly related to the degree of disclosure requirements imposed on the firm (Pfeffer and Salancik, 1978, p. 83).

Especially given our focus on EDT economies of the EECA region, it seems warranted to add a strategy consisting of a firm’s illegitimate use of resources that belong to the public or to other companies—both material (natural resources, including unofficial pollution) and non-material (patents, software, product designs). In Table 1, we label this strategy as “theft” (N3), although the short labels are for ease of reference only and were not shared with respondents in our study. In addition, our definition uses the euphemistic expression “to unofficially use” and “unofficial pollution” to decrease the risk of social desirability bias.

While there is a growing normative discourse about business being inherently “the externalizing machine” (Bakan, 2008) and while the classic study by Boddewyn and Brewer (1994) explicitly allowed for nonmarket strategies that constitute “illegal activities” (p. 128), theft, including theft of common property resources, has not to our knowledge been explicitly discussed as a nonmarket strategy. This seems indefensible. As mentioned in the “The Extant Literature” section, Baron’s (1995) definition of nonmarket strategy focuses explicitly on “firm’s interactions outside of . . . markets.” And as

North (1977, p. 710) observed, “an essential pre-condition for price-making markets is the existence of well-defined and enforced property rights.” A strategically employed act of disrespecting property rights, represented by our strategy N3 is thereby, in many ways, a paradigmatic nonmarket strategy. It is also certainly a nonbargaining strategy, as the act of using resources that belong to others is almost always done surreptitiously and specifically aimed at preventing detection by governmental officials (as well as, obviously, the affected party).

The final nonmarket strategy (S1) was defined as “supporting, beyond legal requirements, your employees, customers, suppliers, local communities, philanthropic causes, or the natural environment.” In Table 1, we label it as “CSR,” (corporate social responsibility) although the full definition covers a broad array of socially responsible and sustainable strategies. While the status of CSR as a nonmarket strategy is widely acknowledged in the literature (Dorobantu et al., 2017; Mellahi et al., 2016), its placement within the bargaining–nonbargaining typology may be viewed as controversial. The traditional understanding of CSR, developed by Carroll (1979), makes it clear that CSR is a form of compliance: “compliance with [societal] expectations that go beyond what is required by law” (Den Hond et al., 2014, p. 794). As such, it would belong as a nonbargaining nonmarket strategy. Meznar and Nigh (1995), likewise, emphasize similarities between “meet[ing] and exceed[ing] regulatory requirements” by encapsulating them in a joint concept of “bridging” nonmarket strategies. He et al. (2007) confirm the positive performance impact of those bridging strategies in the EDT context.

On the other hand, we should consider the rich recent body of literature concerning “the interaction between corporate social responsibility and corporate political activities” as well as “their complementary nature” (Kamasak et al., 2019, p. 305). A common theme here is that CSR initiatives are undertaken to increase firm’s legitimacy in the eyes of multiple broadly defined stakeholder groups (Sun et al., 2021), sometimes as an “insurance policy” against potential mishaps on the CPA front (Sidki Darendeli & Hill, 2016). Rehbein and Schuler (2015) hypothesize that engagement in CSR programs helps firms build up resources, including expertise and relationships that can later be used for lobbying and other bargaining interactions with governments.

These arguments do not, in our view, contradict the fundamentally nonbargaining aspect of CSR per se. They instead highlight the possibility of firms grouping or sequencing different types of initiatives for broader strategic purposes. It is certainly possible that a nonbargaining strategy sets the stage for a follow-up bargaining one. Den Hond et al. (2014) use a particularly suggestive analogy of “playing on two chessboards” to describe this grouping or

sequencing. The analogy is precisely correct as it acknowledges the conceptual distinction between the two “chessboards.”

Obviously, if CSR is employed mainly in the context of broader bargaining interactions, it would raise conceptual issues about its classification. However, the rapid growth of importance of Environmental, Social, and Corporate Governance (ESG) accounting standards and rankings (Li et al., 2021), pushing CSR activities further toward compliance territory, warrants skepticism about the bargaining purpose of most CSR. Particularly in the European Union (EU), to which a number of countries under our study belong, governmental regulations increasingly mandate ESG disclosure (Grewal et al., 2019). Of note is also the growing importance of industry self-regulation, which can be viewed as “collective CSR” analogously to “collective CPA” as conceptualized by Hillman and Hitt (1999).

With all that being said, given the emerging nature of the discussion about the relation between CSR and business–government bargaining, we keep this strategy a special category (S1), presenting both the results that treats it as a nonbargaining strategy and the ones that do not include it in that category.

## **Bargaining and Nonbargaining Strategies: The General Model**

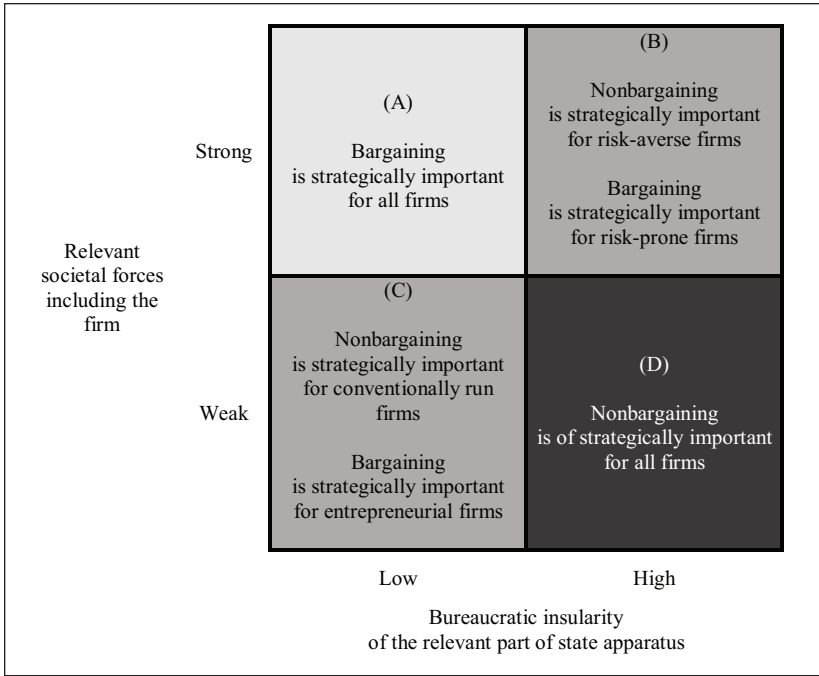
Having identified what is meant by “bargaining” and “nonbargaining” non-market strategy, we now consider which of these is likely to be deployed given the environment and context in which firms operate. Our starting point is neo-statist theory. The neo-statist paradigm developed in political science in the 1980s in response to the growing dominance of the society-centered, pluralist and rational choice views. Theda Skocpol (1985), in particular, emphasized limitations of a view of politics “primarily as an arena within which economic interest groups or normative social movements contended or allied with one another to shape the making of public policy decisions” (p. 4). She and other scholars made a compelling case for “bringing the state back in,” or giving due attention to situations in which states act independently off societal, and in particular, corporate pressures. Unlike the politics-as-a-market consensus of the CPA literature (Lenway et al., 2022), the neo-statists see states as independent, causal forces “shap[ing], enable[ing], or constrain[ing] economic, associational, cultural, and even social-psychological phenomena” (Goodwin, 1997, p. 9).

Neo-statists have been careful to outline the reasons why the state can be viewed as an autonomous actor. Their theoretical foundations of state autonomy focus on two sides of the state–society relationship, merging two distinct intellectual traditions. First, in the Tocquevillian spirit (Amenta, 2005), it ties

the degree of state autonomy to the historically conditioned strength of societal forces aimed at influencing the state, who find themselves also influenced by it (Campbell, 2011). “Where the state is weak,” observes one noted author in the field, “it is because powerful societal forces are able to sabotage state programmers, initiatives and purposes” (Chowdhury, 1999, p. 1090). That line of argument motivated neo-statist scholarship to research nondemocratic regimes (Stepan, 2015) or revolutionary political changes (Goodwin, 2001).

Second, the Weberian tradition (Skocpol, 2008), emphasizes structural reasons for state autonomy. This literature points to the fact that many policy decisions are made, or heavily influenced, by career officials with stable employment. Public officials also do not form close personal and economic ties with those societal classes who seek to influence the state (Trimberger, 1972, p. 4). Civil servants work in rigid, hierarchical settings where they are heavily influenced both by dominant state ideology of the state and a professional ethos of officialdom that emphasizes power, dignity, and impartiality in the face of interest groups (Nordlinger, 1987). Since stability is one of the main benefits of working for the state, risk aversion becomes an important consideration. Many regulatory agencies are also legally independent of elected politicians, reducing incentives to respond to politically powerful interest groups. Moe, (1985, 2006) proposed, in a neo-institutionalist spirit, that the structural independence may often be a result of a long-term rational calculus of warring parties and interest groups. Other authors argued that legal and administrative traditions as well as historical trajectories are more important here than long-term rational calculations (Yesilkagit & Christensen, 2010). Agencies are also increasingly engaged in national, regional, and global regulatory networks, which further reinforce their independence (Maggetti, 2007). Rich research has explored organizational antecedents of agency autonomy, including their size or the level of their geographic centralization (Maggetti & Verhoest, 2014). Those structural tendencies and bureaucratic behaviors may be exacerbated in the realities of a collective and multi-stage policymaking process, characterized by complexity, uncertainty, and inertia that shapes policymaking. In those settings, no single agent can “deliver” any result to an interest group. The Weberian tradition thus sees the roots of state autonomy in what we refer to as bureaucratic insularity.

One way to look at this literature is to see its similarities with the theory of missing markets in public economics. State autonomy can be understood as a missing market for business–government interactions and the Tocquevillian and Weberian neo-statist tradition can be thought of as, respectively, elaborating on “demand-side” (Tocquevillian) and “supply-side” (Weberian) problems preventing this market taking shape. The “demand-side” problem is the



**Figure 1.** A General Model of Bargaining and Nonbargaining Nonmarket Strategies.

Source. Authors' own.

weakness of relevant societal forces that seek to influence public policy. These forces include firms pursuing their (bargaining) nonmarket strategies. The societal forces are considered on a range from strong to weak. We also envisage a “supply-side” problem which we characterize as the degree of bureaucratic insularity of the state apparatus. In this light, we have developed a two-by-two matrix to illustrate the nonmarket strategy choices that firms face (see Figure 1).

Quadrants A and D map the straightforward predictions of our model. In Quadrant A, strong societal forces exist to influence the state and, at the same time, state institutions and their officials are more willing and able to engage in bargaining. The extant CPA literature has suggested that most real-world nonmarket environments belong to Quadrant A. In specific cases, that presumption is clearly warranted. During the legislative passing of the Dodd–Frank Act in the United States, the banking and financial services industry was reportedly spending U.S.\$1.4 million a day on its lobbying activities

(Shiller, 2013, p. 88). In this instance, however, both features of the “Quadrant A” situation are unequivocally present. The post-financial crisis regulation of the industry was a political process of keen interest to powerful societal forces: the financial industry itself as well as advocacy groups, and experts pushing for tighter regulation. At the same time, the highly complex nature of the regulation, the significant economic risks of overshooting or misdirecting the regulations, combined with the structural role of money in American Congressional politics meant that the relevant federal institutions remained willing and able to engage in bargaining with interest groups (Ban & You, 2019).

For most firms worldwide, however, the nonmarket environment is considerably different from that depicted by the example above of the U.S. legislative lobbying context and resembles more the situation mapped in Quadrant D: societal forces are relatively weak, and the degree of state insularity is relatively high. In this case, nonbargaining strategies will be predictably dominant. Consider a mid-sized business in Emilia-Romagna, a reliably social democratic region of Italy. Italy was hit hard early in the COVID-19 pandemic with an elevated excess death rate and economic fallout from lockdowns imposed to limit the spread of the SARS-COV-2. Following the approval of vaccines in 2021, it introduced a strict employee vaccination mandate, covering both public- and private-sector employment (Harlan & Pitrelli, 2021). While an owner of a mid-sized firm from Emilia-Romagna may resent this mandate, it is not obvious with whom they can “engage” to make their case. Furthermore, although Italy may be known for instances of governmental corruption (although research reports that Emilia-Romagna displays the lowest corruption levels of Italy’s 20 regions; see Lisciandra & Millemaci, 2017), it is unclear whom a mid-sized firm could bribe or convince to change that high-stakes nationwide public health mandate. Indeed, ideological leanings of the members of parliament from Emilia-Romagna make them or their staff unlikely to even engage with the anti-vaccine business owner. Instead of relying on CPA, the manager will instead prepare themselves for begrudgingly complying or quietly avoiding the regulation.

Quadrants B and C suggest more ambiguous cases, but it still may be prudent to assume that nonbargaining strategies will be a default option. In Quadrant B, a firm is part of a constellation of strong societal forces facing highly insular state institutions. However, these two strengths are not symmetrical; the state has a legitimate monopoly of violence and other powers at its disposal. This result can be seen in the current situation of privately owned business in China. Over decades of economic liberalization, private enterprises, such as the Alibaba Group amassed substantial socio-political and financial power. Yet, this power is of little use if the state apparatus, guided

by the policies and ideological narratives of China's President, Xi Jinping, decides to shut itself off from the demands of those companies. Jack Ma's decision to retire as head of Alibaba has been alleged as being a direct result of the Chinese state seeking to limit Alibaba's growing socio-economic power (Huang, 2019). Thus, most companies can be expected to be risk averse and try to survive under the governmental mandates. This example from China would appear to be corroborated elsewhere. Y.-M. Chang (1992) showed that risk-averse firms comply with minimum wage laws when faced with stiffer penalty fees. Ozanne et al. (2001) found that in the context of agri-environmental regulatory compliance that risk-averse farmers are more likely to comply than risk-neutral ones. Finally, Stranlund (2008) found that risk-averse managers will have fewer non-compliance behaviors than otherwise identical firms with risk-neutral managers in the context of pollution regulation.

A firm's situation is much less treacherous in Quadrant C. Structural obstacles to bargaining with state officials are few and far between. The problem is that when it comes to issues relevant to the firm, societal forces that could engage the state are also very weak. A good example is the reality of most foreign firms in peripheral markets described by Akbar and Kisilowski (2015b), such as small Central Asian economies or fragmented small countries in Eastern Europe. The authors emphasize that if we go beyond the international business (IB) literature's typical focus on large multinational enterprises (MNEs) from highly developed countries making high-stake enter-or-exit bargains with host governments keen to attract inward-foreign direct investment, the reality of most expat managers in peripheral markets is much more about taking cautious, reactive approaches due to limited embeddedness in local socio-political networks. It is possible that a particularly ambitious, entrepreneurial manager will engage in a highly proactive, bargaining strategy. For the majority of the more conventionally run firms, however, it is more likely to follow an acquiescing non-bargaining strategy, potentially complemented by CSR activities that would increase company's legitimacy among its key stakeholders (He et al., 2007).

In conclusion, we offer two propositions. First, nonbargaining strategies are more strategically important for a firm in nonmarket environments in which relevant societal forces, including the firm itself, are weak compared with environments where these forces are strong. Second, nonbargaining strategies are more strategically important for a firm in nonmarket environments characterized by high degrees of bureaucratic insularity of relevant institutions compared with environments characterized by low degrees of that insularity.

## **Model Elaboration and Hypothesis Development**

We develop a model that has the potential to impact our understanding of almost all the strands of the nonmarket strategy literature mentioned in the “Bargaining and Nonbargaining Strategies: A More Comprehensive Taxonomy” section. In the empirical part of this study, however, we will specifically focus on how it broadens our understanding of three antecedents of bargaining and nonbargaining nonmarket strategies.

Firm size is an important determinant in the strategic nonmarket behavior of firms that has been broadly established in the literature (Hillman et al., 2004; Lux et al., 2011). Yet, the above-mentioned propositions derived from our model put these findings in a new light. We argue that the relationship between firm size and nonmarket bargaining is not linear. Rather, for both small and large firms, bargaining would relatively be more important than for their midsize counterparts.

Our model predicts that small firms would have to deal with relatively low levels of bureaucratic insularity. In many national contexts, dominant political ideology fosters a belief about small firms being the core job creators—what Mazzucato (2013) terms the “cult of smallness.” In the specific context of EDT countries, small, locally owned businesses may gain legitimacy stemming from patriotic sentiment of preferring local businesses to foreign ones (e.g., “Made in . . .” narratives). For example, a tax office offering a deadline extension to a small local business will likely not be viewed as corrupt or otherwise inappropriate in its behavior. The tax revenue at stake will also be relatively small for the authorities.

By contrast, a mid-sized manufacturer may be in a different situation. Its professional legal counsel may advise that the company follow official appeals procedures and dissuade it from personal outreach, as it would likely be viewed as corrupt or inappropriate by tax officials. Unlike small businesses, the mid-sized firm would also have resources to engage in selected charitable causes, to demonstrate its status of as a respected member of a local or regional community. As Meznar and Nigh (1995, p. 980) state, “the larger a firm becomes, the more likely it is to catch the public’s eye.”

Nevertheless, the mid-sized firm is not a multinational corporation with its highly visible and impactful presence. Thus, the mid-sized firm is too large to fall under the paternalistic notion of support for small business but not large enough to engage in high-level lobbying as would be expected of a multinational firm. While both compliance and CSR would obviously remain on the strategic agenda of large companies, their relative importance will decrease precisely due to increased importance of high-level lobbying.

In sum, the juxtaposition of two opposing pressures—societal forces to which the firm belongs and bureaucratic insularity of the state apparatus, both growing with firm size, results in the following hypothesis:

H1: In EDT countries, nonbargaining nonmarket strategies are more important for mid-sized firms than for either large or small ones, *ceteris paribus*.

A similarly valuable contribution can be offered in the analysis of the relative reliance of local enterprises and MNEs on bargaining and nonbargaining nonmarket strategies. The need for such differentiation is acknowledged in the mainstream CPA literature. The institutional distance between the home and the host country influences the capacity the foreign firms to recognize and interpret local standards and regulations (Kostova & Zaheer, 1999). This institutional distance is a determining feature of the interaction between western multinationals and EDT countries (Aguilera-Caracuel et al., 2012).

As has been emphasized in the extant literature: “the different market strategies of national niche players and large internationally oriented firms require different political strategies” (Lawton et al., 2013, p. 89). Our model again offers a more analytically nuanced view on the causal forces at work. As Akbar and Kisilowski (2015b) point out, if controlled for size and industry, local firms can be expected to be a stronger political force owing to their ability to tap into local networks and tacit knowledge. At the same time, as enthusiasm toward globalization wanes (Kobrin, 2017), MNEs may encounter significantly higher levels of bureaucratic insularity. As previously mentioned, direct engagement with local businesses may more easily be explained in terms of patriotism and national preference. What does not help MNEs here is that they cannot completely align with shared values and practices of the host country as they also need to take into account the shared values of their home country (Kostova & Roth, 2002). We thus hypothesize that:

H2: In EDT countries, nonbargaining nonmarket strategies are more important for managers of MNEs than for managers of local firms.

The final notable contribution of our model can be seen in the discussion of nonmarket strategies’ external antecedents. Consider a conventional finding about firms in more regulated industries engaging in more nonmarket strategies (Wrona & Sinzig, 2018). If nonmarket strategies that scholars measure include only bargaining ones, and if survey instruments furthermore focus on “frequency” of such bargaining engagements by firms, finding positive correlation here is somewhat obvious: the more regulated an industry, the more

frequently firms will engage in bargaining. It does not follow, however, that bargaining strategies will necessarily play a more *strategically central role* in the overall palette of nonmarket strategies. A more regulated firm will do more nonmarket activities overall, bargaining, and nonbargaining included, so that, an absolute increase overall bargaining measured by CPA literature may very well coincide with a relative decrease in importance of bargaining when the even faster-growing burden of nonbargaining strategies is considered.

By opening the black box of state autonomy as well as emphasizing the reasons why firms may not engage with state institutions, our model allows us to simultaneously take both a broader and a more nuanced view on the issue of external antecedents. As far as the twin effects of societal forces and bureaucratic insularity are concerned, the ability of industries to engage with the state may be related to the overall economic and political salience of an industry to that state. While extensive regulation reflects that importance, it is not the only one. The extent to which a state contracts an industry to realize its policy objectives or the extent to which state objectives depend on reforming or restructuring a given industry are just as important pieces of evidence here as the extensive industrial policy literature has shown (H.-J. Chang & Amsden, 1994). For instance, if one wanted to use formal regulations as the only measure of the density of engagement of U.S. military contractors or the mining industries in Europe in the 1970s and 1980s with their respective governments, one would get a distorted picture. In this regard, Kim (2008, p. 7) found that “when the government is a big purchaser from an industry or the industry is heavily regulated, the industry’s stakes are higher regarding government action, part of which the industry is willing to expend on influencing activities.” In a European context in the financial services sector, Woll (2013) found that the French government’s decision on how to regulate hedge funds resulted from effective lobbying by the financial services industry but also developed out of the alignment of strategic interests between the French government—cooperation with their German counterpart—and the preferences of the industry. Accordingly, our next hypothesis states that:

H3: In EDT countries, nonbargaining nonmarket strategies are relatively more important for firms in industries less critical for the state where they operate.

## **Empirical Research Context, Methodology, and Data**

Our study examines the post-communist transition economies of the EECA region. These countries share a common history of central planning and state

socialism in the 20th century that does not apply equally to other emerging markets. Between 1989 and 1991, all of them began a transition from a centrally planned economy toward differing degrees of mixed economy. A generation later, the result of this transformation has varied substantially (Arnold & Quelch, 1998; Palepu & Khanna, 2010).

The resulting institutional diversity of the EECA countries presents an interesting opportunity to study nonbargaining nonmarket strategies in countries at various stages of institutional development. We focused on countries that represent a cross-section of the region in terms of both geographic locations, size, and development. Five countries in our sample (Bulgaria, Czechia, Estonia, Latvia, and Romania) are members of the EU and North Atlantic Treaty Organization (NATO) in good standing, two (Poland and Hungary) are members who have been repeatedly sanctioned by the EU institutions for failing to uphold commitment to European values (Scheppele et al., 2021), two others (Georgia and Ukraine) are applying for EU and NATO membership, Serbia is an EU (but not NATO) candidate country, while a further four (Armenia, Azerbaijan, Kazakhstan, and Kyrgyzstan) are part of the Commonwealth of Independent States.

Institutional diversity is modeled using the index developed in the work of Akbar and Kisilowski (2015a). The authors use six Transition Indicators issued by the European Bank for Reconstruction and Development and six components of the Democracy Score of Freedom House to construct a 0 to 100 country-level index. Fourteen country under our consideration range from 34 (Azerbaijan) to 86 (Czechia), with the mean index of 64.

In the fall of 2016, we sent 240 requests to potential respondents to complete the online questionnaire. Respondents were recruited using the alumni network of our home institution, Central European University. In Ukraine, we supplemented our alumni with a panel of middle-to-senior managers organized by Qualtrics in the spring of 2017. Overall, with 165 completed responses, our response rate was 68%. As can be seen in Table 2, our respondents represent a population of managers of both multinational and local enterprises and from a range of industries.

The distribution of responses across the countries under our consideration was rather uneven. To correct for this, we weighted each response by the following weight:

$$w_i = \frac{MN_i}{MN_i} \times \frac{\sum_i mn_i}{mn_i}$$

$MN_i$  is an estimated number of managers in each of the country under our consideration, using the International Labor Organization data<sup>3</sup> and  $mn_i$  is the

**Table 2.** Description of the Sample.

Variable	Attribute	Proportion of the sample
Firm size	Small	0.51
	Medium	0.17
	Large	0.32
Firm ownership	Foreign owned	0.59
	Privately owned	0.31
	State owned or state influenced	0.10
Corporate structure	Publicly listed	0.39
	Privately held	0.61
Respondent's position	Middle manager	0.29
	Senior manager	0.44
	CEO	0.18
	Other executive board member	0.08
Respondent's gender	Supervisory Board member	0.01
	Male	0.72
	Female	0.28

Source. Authors' own.

Note.  $n = 165$ .

number of respondents in our survey. This produced country weights  $w_i$  of between 0.18 and 2.78.

Respondents were asked to assess the strategic importance of the nonmarket strategies included in the taxonomy developed in the “Bargaining and Nonbargaining Strategies: The General Model” section. Strategies B4 to B6 were not included in all our surveys as our prior research did not indicate their particular strategic importance in the EECA region; 42 respondents were given a survey with these additional strategies. Managers were given only the operational definitions presented in Column 2 of Table 1. They were also not given a description of whether a given strategy is of a bargaining and nonbargaining nature. The definitions of each strategy appeared randomly to respondents in an online survey that we curated.

We did not ask about the frequency of a given strategy. Instead, we used a sequential tool that allowed us to ask respondents directly about importance of a given strategy. The internet-administered survey operated in three steps. First, each respondent was asked to select from the list outlined in Table 1<sup>4</sup> all strategies that managers in the respondent's company used in the preceding 12 months. A small number of respondents chose only one

strategy (3% of the sample) and the survey ended for them. The rest chose between two and five strategies, and they were carried forward directly to the second step of the survey. The survey had an option of choosing more than five strategies, in which case a respondent would have been presented with a follow-up question to narrow their choice; yet none of our respondents have indicated more than five strategies in the first stage. The second stage of the survey involved a computerized drag and drop feature, which the respondents were asked to rank in order the chosen strategies based on their relative importance for managers in their firm. Blasius (2012) finds drag and drop the optimal method for web-based rank surveys.

However, a simple rank still does not offer us a way to know the relative importance of each of the strategies chosen by the respondents.<sup>5</sup> As a third step, we asked respondents to offer an even more precise indication of that relative importance, by allocating a total of 10 points among their chosen strategies. They were informed that the more points they assigned to a strategy the more important it was for managers of their firm. The survey summed responses in real time and did not allow respondents to move forward unless the sum was 10 points exactly.<sup>6</sup> In this third step, respondents were not presented with strategies in the order they chose through the drag-and-drop second step. The Spearman rank correlation between the responses in the second and the third steps was, on average, as high as 0.98.

Based on the responses from the third stage, we calculated a strategic importance score (SIS) for each strategy, which is the average score (ranging from 0 to 10) assigned to each strategy by respondents in the third stage, or zero if a strategy was not chosen in the first stage, weighted by the Country Weights. The SIS for each strategy is illustrated in Table 3.

## Empirical Results

The mean SISs for all strategies were aggregated to generate a total SIS, for 14 bargaining strategies and four nonbargaining strategies, respectively.<sup>7</sup> Table 4 compares the aggregate SIS of bargaining and nonbargaining strategies, with Column 1 reporting weighted results for our entire sample. The results challenge the CPA literature assumption about overwhelming strategic importance of bargaining strategies. In fact, the negative coefficient indicates a higher strategic importance of nonbargaining strategies than the bargaining ones, although that result is not statistically significant. Looking at individual strategies (Table 3), the two most important strategies reported are nonbargaining. Compliance alone is reported to be more than 3.5 times more important than lobbying and more than 22 times more important than

**Table 3.** Strategic Importance Scores (SIS) of Nonmarket Strategies.

Nonmarket strategy type	Mean (weighted)	SD (weighted)	t-test	p value
B1: Lobbying	0.83	1.50	7.05	.00
B2: Bribery solicitation	0.04	0.25	2.23	.01
B3: Bribery extortion	0.08	0.46	2.35	.01
B4: Campaign contributions <sup>a</sup>	0.06	0.37	2.08	.02
B5: Information <sup>a</sup>	0.16	0.68	2.96	.00
B6: Grassroots mobilization <sup>a</sup>	0.21	0.74	3.57	.00
B7: Networking	0.97	1.68	7.40	.00
B8: Proactive litigation	0.11	0.62	2.27	.01
B9: Threats	0.24	0.73	4.14	.00
B10: Exposure	0.21	1.08	2.49	.01
B11: International assistance	0.19	0.64	3.83	.00
B12: Collusion	0.51	1.20	5.44	.00
B13: Reactive litigation	0.33	0.92	4.62	.00
B14: Local partner	0.81	1.35	7.71	.00
Bargaining nonmarket strategies (B1-B14 combined)	4.75	3.28	18.53	.00
N1: Compliance	3.20	2.95	13.91	.00
N2: Avoiding regulations	1.07	2.06	6.66	.00
Boddewyn and Brewer nonbargaining nonmarket strategies (N1-N2 combined)	4.27	3.11	17.59	.00
N3: Theft	0.09	0.50	2.29	.01
S1: CSR	0.90	1.44	7.99	.00
Nonbargaining nonmarket strategies and CSR (N1-N3 and S1 combined)	5.25	3.28	20.51	.00

Source. Authors' own.

Note. t-test statistic and p value related to one-sided t-test that the weighted mean of the score is greater than 0.  $N = 165$ , except for "a" where it is 42. CSR = corporate social responsibility.

bribery. The flip side—strategic avoidance of regulation—is a distant second, and also outranks strategies, such as lobbying.

Conservatively, then, we observe a “statistical tie” between the significance of bargaining and nonbargaining strategies—a remarkable result given the near complete omission of nonbargaining strategies from hitherto survey instruments.

**Table 4.** Difference Between Strategic Importance Scores (SIS) of Bargaining and Nonbargaining Strategies.

	1	2	3
Statistical values	Whole sample	High institutional development	Low institutional development
Mean (weighted)	-0.51	-1.06	-0.03
SD (weighted)	6.56	6.72	6.38
t-statistic (two-sided)	-0.99	-1.37	-0.04
p value	.32	.17	.97
Degrees of freedom	164.00	75.23	87.77

Source. Authors' own.  
Note. N = 165.

Columns 2 and 3 of Table 4 show the result when we divide the sample of countries included in our study into two groups, dependent on their levels of political-economic institutionalization. It is notable that in more institutionally developed countries, the advantage of nonbargaining strategies seems to be more pronounced than in less developed environments and approaching a statistically significant level. We acknowledge, however, that not too much should be read into the raw difference between more and less institutionally developed countries in our sample. When regressing the SIS of nonbargaining strategies on the institutionalization index of a country of firm’s operations and a number of additional variables included in our survey our analysis (Table 6, Columns 1-7), we do not see a relationship between the level of institutionalization and the relative significance of nonbargaining strategies. This result does not appear to be a quirk of our sample. For instance, bribery shows a predictable, negative relationship with institutionalization, in all specifications (Table 6, Columns 8-9).

At the very least, however, we do not see the evidence that the importance of nonbargaining strategies is—like De Villa et al. (2018) suggested using a qualitative study—a sign of “challenging host country institutional conditions.” Our model introduced in the “Model Elaboration and Hypothesis Development” section provides a ready explanation for this result. While levels of bureaucratic insularity to bargaining with business actors certainly depend on countries’ unique political cultures, *ceteris paribus*, this insularity is likely to increase, rather than decrease, with the level of institutional development. That development, after all, involves cementing of distinct cultures of the civil service, judiciary, and law enforcement. This effect can

**Table 5.** Difference Between Strategic Importance Scores (SIS) of Nonbargaining Strategies, Bribery, Lobbying and Compliance.

	1	2	3
Statistical values	Nonbargaining strategies vs. lobbying (B1)	Nonbargaining strategies vs. bribery (B1 + B2)	2.37
Mean (weighted)	4.43	5.12	2.37
SD (weighted)	4.04	3.40	3.50
t-statistic (two-sided)	14.04	19.30	8.68
p value	.00	.00	.00
Degrees of freedom	164	164	164

Source. Authors' own.

Note.  $N = 165$ .

be partly or wholly offset by the strengthening of relevant societal forces in more institutionally developed countries. Certainly, though, both our model and our empirical results would justify caution in treating intense business–government bargaining as a mark of high and healthy level of political-economic institutionalization.

It is important to put the results from Table 4 into perspective. Sociologists of science have long reported a persistent bias against publishing findings that show no statistically significant trend (Sterling et al., 1995), observing that statistical significance is often wrongly conflated with theoretical significance. The findings reported in Table 4 are a useful illustration of that difference, since they squarely challenge the standard portrayal of bargaining interactions as all but “the only game in town.” As presented in Table 5, Columns 1 and 2, the significance of the nonbargaining strategies dwarfs some of the canonical nonmarket bargaining strategies, such as lobbying. Given the supposed centrality of corruption in state-firm relations, what is particularly striking is that the average significance of nonbargaining strategies was five points higher than that of bribery (solicitation and extortion combined, Column 3); that difference represents nearly half of the entire scale.

The nature of the results raises issues of respondent bias. In particular, there may be issues around social desirability bias (Krumpal, 2013). There is the concern that illegal nonmarket strategies, such as bribery, are systematically underreported. Yet, while two of the four nonbargaining strategies: avoiding regulations and theft also involve illegality, the average SIS of illegal strategies made up 20% of the total reported average SIS for bargaining strategies compared with 22% in case of nonbargaining strategies. Even if

**Table 6.** Nonbargaining Nonmarket Strategies: Selected Antecedents.

Variables	Nonbargaining SIS ( <i>n</i> = 165)					Bribery SIS ( <i>n</i> = 165)			
	1	2	3	4	5	6	7	8	9
Institutionalization index	1.240 (1.631)	1.309 (1.491)	-0.303 (1.868)	0.895 (1.688)	3.219* (1.620)	-0.255 (1.740)	1.450 (1.087)	-0.705*** (0.145)	-0.641** (0.242)
Supervisory board member		-4.029*** (0.663)				-3.081*** (0.708)	-3.288* (1.530)		-0.236 (0.270)
CEO		1.530* (0.803)				2.158** (0.749)	2.299** (0.894)	0.113 (0.107)	0.113 (0.107)
Executive board member		0.812 (0.652)				0.671 (0.463)	0.352 (0.634)		-0.179 (0.112)
Senior manager		0.810 (0.743)				0.576 (0.806)	1.375 (0.823)		-0.066 (0.108)
Foreign owned			1.108 (0.897)			1.043 (0.779)	0.786 (0.628)		-0.171* (0.095)
State owned			-1.233* (0.634)			-0.876 (0.666)	-0.600 (1.060)		0.070 (0.321)
Medium firm				1.361** (0.486)		1.665*** (0.440)	1.483** (0.562)		0.012 (0.083)
Large firm				0.332 (0.644)		0.953* (0.501)	1.208 (0.933)		0.156* (0.076)

(continued)

Table 6. (continued)

Variables	Nonbargaining SIS (n = 165)						Bribery SIS (n = 165)		
	1	2	3	4	5	6	7	8	9
Construction					-2.813* (1.563)		-2.342* (1.130)		-0.084 (0.113)
Utilities					-3.133*** (0.815)		-2.730** (0.911)		0.282 (0.346)
Agriculture					-0.824 (1.367)		-0.655 (1.260)		0.223** (0.099)
Mining					-0.592** (0.202)		-1.156*** (0.364)		-0.213** (0.096)
Professional services					0.239 (0.841)		0.779 (1.070)		0.047 (0.136)
Wholesale					2.530*** (0.590)		2.214*** (0.579)		-0.129 (0.089)
Constant	4.454*** (1.058)	3.656*** (1.098)	4.958*** (1.077)	4.258*** (1.020)	2.641** (1.009)	3.385*** (0.948)	1.203 (1.139)	0.583*** (0.108)	0.490** (0.183)
R-squared	0.003	0.051	0.050	0.025	0.180	0.120	0.271	0.036	0.197

Note. Calculations: Authors' own. SIS = strategic importance scores. \* $p < 0.1$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.01$ .

social desirability bias was present it should have affected both of our strategic clusters in a roughly equal way.

Our ordinary least squares (OLS) regression analysis reported in Table 6 sheds further light on the factors influencing respondents' assessments of nonbargaining strategies' relative importance. For instance, while our survey asked respondents to evaluate the importance of a given strategy at a firm (and not individual) level, the professional position of a respondent seems to have an impact on her perceptions. In Columns 6 and 7, we report that, compared with the dropped dummy of middle manager, perceived importance of nonbargaining strategies is higher for chief executive officers (CEOs). It could be argued that such a result indicates social desirability problems, as CEOs may be disinclined to admit the importance of bargaining strategies. Yet, such an interpretation is contradicted by the fact that perceived importance of nonbargaining strategies drops precipitously in the case of supervisory board members (prevalent given the continental two-board corporate structures in the countries in our study). These board members should, if anything, be more cautious than CEOs about reporting controversial business tactics. It thereby seems that factors other than social desirability are at play here. In particular, it appears that the importance of bargaining strategies is a kind of conventional wisdom shared by persons (middle managers, supervisory board members) not directly involved in managing firm's nonmarket activities.

Other correlations reported in Column 7 of Table 6 provide additional insights on the antecedents of nonmarket strategies. In terms of firm size (H1), our results confirm that medium-sized firms rely the most on nonbargaining strategy, as they face greater bureaucratic insularity while still not having sufficient socio-political power. This interpretation is corroborated by the positive relationship between large firm size and importance of corruption (Table 6, Column 9).

When it comes to firm ownership, however, our results fail to confirm hypothesis H2 about multinational firms relying less on bargaining than local ones. The reported mean point is in that direction, but the results are not statistically significant. More research should be done in the EDT context to explore this relationship. It is worth noting, however, that we do observe significantly less strategic importance of bribery for MNEs than local companies (Table 6, Column 9).

Finally, we see a robust confirmation of H3: the importance of bargaining increases the more an industry is central to the interests of the state. In comparison with the omitted variable of manufacturing, we observe significantly more bargaining in utilities, construction, and mining industries (Table 6, Column 7, significant negative coefficients represent more significance of

bargaining). Utilities—the canonical regulated industry on which the state depends to deliver some of its core functions—are quite naturally on the list. Construction is equally intuitive in the context of the post-communist countries rapidly modernizing their infrastructure, making the construction industry particularly important for the state’s developmental agenda (European Commission, 2023). None of the countries in our sample have completed the painful process of mining industry reorganization, which keeps this sector as a particularly delicate activity for the state to influence and regulate.

We also see some evidence bringing into question the traditional CPA story of a simple correlation between the extent of formal regulation and intensity of bargaining. Note, for instance, that the highly regulated professional services industry reports more strategic reliance on nonbargaining strategies than, say, the relatively less regulated construction industry (Table 6, column 7). That result can be accounted for when an analysis moves beyond the lens of absolute frequency of bargaining, and instead focuses on the relative strategic significance of bargaining vs. nonbargaining. The professional services industry may bargain more frequently than less regulated sectors, but it does not need to make bargaining more strategically important. This is because the professional services industry also has more compliance to do relative to less regulated sectors increasing the significance on nonbargaining strategies. The two increases may cancel each other out.

An anonymous reviewer of this article raised concerns about whether theft (N3) and CSR (N4) should not be dropped from our list of nonbargaining nonmarket strategies. We replicated the analysis excluding theft and CSR, but the results did not substantially change.

## **Discussion, Limitations, and Conclusions**

Our study was set up to rely conservatively on the significance of nonbargaining through our choice of nonmarket strategies. We asked respondents about strategic significance of 14 bargaining strategies and only four nonbargaining ones. In cases where our expert panel was closely divided on the classification of a given strategy, we also opted to categorize it as bargaining.

And yet, we have found executives view nonbargaining nonmarket strategies as equally important as bargaining ones. Compliance—the canonical nonbargaining strategy—was viewed as nearly four times more significant than lobbying and, remarkably for our sample of non-Western countries, 25 times more important than corruption. The result held regardless of the level of institutional development of a country in which our respondents operated; in fact, nonbargaining strategies seemed more strategically pivotal in more

institutionally developed countries from our sample (although that result was statistically non-significant).

Drawing on neo-statist theoretical bases, we have proposed a general model that accounts for our empirical result. It asserts that nonbargaining nonmarket strategies become more strategically important, relative to business–government bargaining, in two distinct situations. First, nonbargaining may be preferred if relevant societal forces, to which the firm belongs, are weak. Under this scenario, a firm does not bargain with the government for the simple reason of having little bargaining power, measured both in economic power, and also in social embeddedness and legitimacy. Second, bargaining even for strong corporate actors may be difficult if state apparatus, or parts of that apparatus relevant to the firm’s operations, remains highly insular to interactions with businesses. We reference neo-statist theory in discussing rich set of structural, organizational, cultural, and informational reasons for why public officials may not be open to frequent engagement with business managers—or, even if they were, could not “deliver” meaningful results to interest groups.

Our empirical results provide preliminary corroboration of our proposed model. Most notably, bargaining nonmarket strategies were reported to be the most strategically important for firms that belong to industries critical to the interests of states in our sample. This is fully in line with our model, since state-critical industries would encounter less bureaucratic insularity when they try to engage while, at the same time, may also be more socially powerful. Importantly, we found managers in industries that are highly regulated, but not as important from the state’s perspective, to report less bargaining. This contradicts the traditional CPA story of bargaining being directly related to the level of regulation.

Our study has limitations. The taxonomical approach to operationalization of nonmarket strategies, while standard in the literature, may not properly account for the possibility of grouping or sequencing of various nonmarket strategies. This problem may be the most pronounced with regard to CSR: while in itself, supporting, beyond legal requirements, employees, customers, suppliers, local communities, philanthropic causes, or the natural environment does not involve bargaining with government, rich literature (Den Hond et al., 2014; Rehbein & Schuler, 2015) has claimed that CSR is often pursued with the overarching aim of establishing transactional or relational interactions with governmental actors.

In addition, an argument can be advanced that our respondents’ experience of dealing with the nonmarket environment is a specific feature of the EECA’s legacy of socialism and central planning. There is no doubt that while many of the institutions of state socialism, such as central planning ministries and

state-owned monopolies no longer exist because they have either collapsed, been privatized or been reformed or transformed, residual values and practices of these institutions have been transferred to the managers and policy-makers who worked during state socialism.

The best way to address this latter issue would be to replicate our study in Western countries, because this is where most studies about bargaining non-market strategies have been conducted. The survey instrument we have developed can be used in any region of the world, yielding directly comparable results. Given that previous studies have failed to ask managers about nonbargaining strategies and, in addition, relied on absolute measures of frequency of usage of a given tactic as opposed to its relative strategic significance, we simply lack quantitative, replicable evidence that would in any way substantiate the claim that bargaining is predominant in highly institutionalized democratic environments.

Helpful to a further discussion on the topic would be future studies that take account of nonbargaining strategies within the dominant threads of research in the field. In this article, we have advanced such a discussion in the area of internal and external antecedents of nonbargaining strategies. Similarly, the mode and configuration thread should inquire about the way nonbargaining nonmarket strategies are executed. An area of particular interest would be to extend the research on collective nonbargaining nonmarket strategies. It would, in particular, help us to account for the growing popularity of industry self-regulation. It would likewise be interesting to ascertain the performance consequences of various mixes of bargaining and nonbargaining strategic approaches, across institutional settings.

Finally, it is clear that the model introduced in this article calls for opening new lines of inquiry in the field of nonmarket strategy and focus on the previously unexplored aspects of the strategic context in which these strategies are pursued. Rather than relying, as we did in this article, on traditional variables used in the internal and external antecedents' literature, scholars should attempt to further systematize and directly measure the two determinants of business–government bargaining—strength of relevant societal forces and low levels of bureaucratic insularity.

This new research may help us deal with some pending questions in the field. Take, for instance, the above-mentioned literature on the linkages between CSR and CPA. The assertion that CSR, in many ways, sets the ground for future CPA may become more theoretically grounded when the neo-statist relationship between business–government bargaining and the strength of relevant societal forces is considered. CSR may be viewed as a strategic effort to mobilize and build up those societal forces to “pass the threshold” required for engagement with the state. Indeed, perhaps the

dichotomous typology of bargaining–nonbargaining nonmarket strategies introduced by Boddewyn and Brewer (1994) should eventually be supplemented with the third category of “pre-bargaining” strategies aimed precisely at building up legitimacy, informational and relational resources needed for effective bargaining (Rehbein & Schuler, 2015).

An even more far-reaching change in the methods and focus of the extant literature would be involved in any serious consideration of the notion of bureaucratic insularity. In current threads of nonmarket strategy research, both theoretical and empirical focus has been squarely on firms. But since bargaining is by definition a reciprocal activity, scholars may need to begin to pay more attention to specific state institutions and agencies with which firms want to bargain. What are the most important structural, cultural, organizational, and informational factors that facilitate or prevent the agency’s willingness to engage with business? Before addressing such questions, scholars in nonmarket strategy should carefully engage with the already significant literature on government agency autonomy and related agency networks in public administration.

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### **Notes**

1. These are: (a) domestic lobbying, (b) foreign lobbying, (c) PR/advocacy advertising, (d) relationship with government agencies, (e) industry alliances, (f) inducements, (g) PAC contributions, and (h) relationships with politicians Keillor et al. (2004).
2. These are: providing information to policy makers by (a) company members

- or (b) external professionals, (c) reporting research results, (d) testifying before committees, (e) commissioning research, (f) revolving-door hiring of past public officials, (g) company members serving in a political position, (h) paying governmental officials for speeches or (i) providing them with paid travel or other benefits, (j) providing campaign contributions, (k) using educational programs or (l) public relations or (m) advocacy advertising, (n) holding press conferences, (o) seeking support of representatives of the U.S. government (p) mobilizing grassroots programs, (q) forming coalitions, and (r) joining business advisory groups Hillman (2003).
3. For all but two countries, we used 2015 ILO data on “managers” as defined by the 2008 version of the International Standard Classification of Occupations (ISCO). In the case of Ukraine while the data were also taken from 2015, it was based on the 1988 ISCO standard that covers “legislators, senior officials and managers.” In the case of Georgia, the latest available data were from 2007 and also based on the 1988 ISCO standard. Since the data in question come from a labor survey, we calculated an estimated number of managers by multiplying the fraction of managers in the survey by the total number of people employed in a given country.
  4. Again, with the caveat that campaign contributions, information, and grassroots mobilization were presented to only 42 of our respondents.
  5. The very fact that many respondents chose fewer than five most significant strategies suggests that strategies vary widely in importance.
  6. We recorded no instances of non-response to the third-stage question from among the respondents who responded in the second stage.
  7. Since Campaign Contributions, Information, and Grassroots Mobilization were included in only 42 surveys, they are not reported in Table 2. However, they are included in our calculation of the total SIS for bargaining strategies. We acknowledge that the lack of their inclusion in the majority of surveys leads to underestimation of bargaining strategies’ relative importance. The available data suggest that the effect is small. The difference between mean bargaining strategies SIS for respondents who received 19 strategies and the same value for respondents who received 16 strategies was 0.33 with (one-sided) *t*-value of 0.26. Adding new strategies, in particular, seem to lower the SIS of lobbying and networking, which suggests that the added strategies were perceived mostly as special cases of those two broader strategies.

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