Universidade do Minho
Escola de Economia e Gestão

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Managing International Nonmarket Strategy: The Role of Firm Dynamic Capabilities

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Managing International Nonmarket Strategy: The Role of Firm Dynamic Capabilities

Ph.D. Thesis in Business Administration

A work made under the supervision of
Professor Ana Maria dos Santos Costa Soares

March 2026

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STATEMENT OF INTEGRITY

I hereby declare having conducted this academic work with integrity. I confirm that I have not used plagiarism or any form of undue use of information or falsification of results along the process leading to the conclusion of the thesis.

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MANAGING INTERNATIONAL NONMARKET STRATEGY: THE ROLE OF FIRM DYNAMIC CAPABILITIES

ABSTRACT

Nonmarket risks arising from political, regulatory, and institutional environments pose significant challenges to firm performance, particularly when internationalizing into emerging economies where institutional void and volatility may be high. While prior research has emphasized strategic responses to such risks, limited attention has been paid to the role of firm-level dynamic capabilities in shaping these responses and achieving sustainable internationalization performance. This study examines how multinational enterprises (MNEs) operating in Nigeria manage international nonmarket risks through the development and application of firm dynamic capabilities.

Adopting a qualitative research design, this study conducted semi-structured interviews with top managers across selected MNEs operating in Nigeria. The data collection sought to capture the role of perceived political uncertainty as a determinant of the engagement and non-engagement approaches adopted to interact with nonmarket stakeholders and influence policies to the advantage of firms in foreign markets. The content analysis reveals that anticipative capabilities, maintaining and managing relational and transactional rapport with nonmarket stakeholders are key to successful firm internationalisation performance. Furthermore, results suggest that firm size and management political experience may moderate the impact of perceived political uncertainty and firm dynamic capabilities on internationalization performance. Findings also reveal that firms actively build adaptive routines that integrate stakeholder engagement, regulatory alignment, and political intelligence into their core non-market strategies. Moreover, managerial perception of institutional uncertainty strongly influences the design and deployment of these dynamic capabilities. Based on the results, a research model and research propositions are developed to guide future research.

The study contributes to international business and nonmarket strategy literature by extending the understanding of dynamic capabilities beyond market competition to nonmarket contexts. It also offers practical implications for managers of MNEs, highlighting the need to institutionalize adaptive learning and proactive engagement with nonmarket stakeholders. In doing so, the research underscores the centrality of dynamic capabilities in enhancing organizational resilience and sustaining long-term performance in emerging markets.

Keywords: Nonmarket strategy, Engagement and non-engagement approach, Dynamic capabilities, Anticipative Capabilities, Relational and transactional strategies, Corporate political activities, Management political experience

A GESTÃO DA ESTRATÉGIA INTERNACIONAL NONMARKET: O PAPEL DAS CAPACIDADES DINÂMICAS DA EMPRESA

RESUMO

Os riscos *nonmarket* decorrentes dos ambientes políticos, regulatórios e institucionais representam desafios significativos para o desempenho das empresas, especialmente quando se internacionalizam para economias emergentes, onde o vazio institucional e a volatilidade podem ser elevados. Embora pesquisas anteriores tenham enfatizado respostas estratégicas a tais riscos, pouca atenção tem sido dada ao papel das capacidades dinâmicas das empresas na definição dessas respostas e na obtenção de um desempenho sustentável na internacionalização. Este estudo examina como as empresas multinacionais (EMNs) que operam na Nigéria gerem os riscos *nonmarket* internacionais através do desenvolvimento e da aplicação de capacidades dinâmicas empresariais.

Adotando um desenho de pesquisa qualitativa, este estudo realizou entrevistas semiestruturadas com gestores de topo de EMNs selecionadas que operam na Nigéria. A recolha de dados procurou captar o papel da incerteza política percebida como um determinante das abordagens de envolvimento e não envolvimento adotadas para interagir com *nonmarket stakeholders* e influenciar políticas em benefício das empresas nos mercados estrangeiros. A análise de conteúdo revela que as capacidades antecipatórias, a manutenção e a gestão de relações e transações com *nonmarket stakeholders* são fundamentais para o desempenho bem-sucedido da internacionalização da empresa. Além disso, os resultados sugerem que o impacto da incerteza política percebida e das capacidades dinâmicas da empresa no desempenho da internacionalização pode ser moderado pelo tamanho da empresa e pela experiência política da gestão. Os resultados também revelam que as empresas criam ativamente rotinas adaptativas que integram o envolvimento das partes interessadas, o alinhamento regulatório e a inteligência política nas suas principais estratégias não mercadológicas. Além disso, a perceção dos gestores da incerteza institucional influencia fortemente a concepção e a implementação dessas capacidades dinâmicas. Com base nos resultados, propõem-se um modelo e proposições de pesquisa para orientar pesquisas futuras.

O estudo contribui para a literatura sobre negócios internacionais e não mercadológicos, ampliando a compreensão das capacidades dinâmicas além da concorrência de mercado para contextos não mercadológicos. Ele também oferece implicações práticas para gestores de empresas multinacionais, destacando a necessidade de institucionalizar a aprendizagem adaptativa e o envolvimento proativo com as partes interessadas não mercadológicas. Ao fazer isso, a pesquisa ressalta a centralidade das capacidades dinâmicas no aumento da resiliência organizacional e na manutenção do desempenho de longo prazo em mercados emergentes.

Palavras-chave: Estratégia *nonmarket,* abordagem de envolvimento e não envolvimento, capacidades dinâmicas, capacidades antecipativas, estratégias relacionais e transacionais, atividades políticas corporativas, experiência política da dos gestores

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LIST OF ABBREVIATION

NMS: Nonmarket Strategies

MS: Market strategies

CPA: Corporate Political Activities

CSR: Corporate Social Responsibilities

DC: Dynamic Capabilities

MNE's: Multinational Corporations

PAC: political action committee

IB: International Business

RBV: Resource-based view

MPE: Management Political Experience

CHAPTER ONE
INTRODUCTION

1.1 Background to the Research

The importance of firm resources and dynamic capabilities has gained significant momentum in helping organizations achieve sustainable competitive advantage in domestic and foreign markets. The use of resources and dynamic capabilities to differentiate innovative businesses' service offerings determines the success an organization will achieve in the domestic and international markets (Williams, Martinez-Perez & Khan & Lew, 2018). Quite a few studies have been done to show the extent to which organizations can manage the market forces embedded in foreign markets through the use of firm resources and dynamic capabilities and remain successful regardless of the market pressure (Sallai & Schnyder, 2019; Muellner, Klopf & Nell, 2017). However, the impact of dynamic capabilities on nonmarket strategy (NMS) in a foreign context remains sparse in international business (IB) literature. Nonmarket strategy became an important factor for firm internationalization success during the late 20th century (1980s), and this is due to the increasing globalization, regulatory uncertainty, and the growing influence of nonmarket stakeholders, which has compelled organizations to look beyond just satisfying the customers' and competitors' needs.

Nonmarket strategy refers to a strategy developed by multinational corporations (MNEs) to influence nonmarket stakeholders' policies in foreign markets to the firm's advantage. Nonmarket stakeholders consist of political, regulatory, social, peer group/activists, among others, that organizations, especially multinational corporations (MNEs), have to contend with in a foreign market (Mellahi et al., 2016).
The issue of firm dynamic capabilities and nonmarket risk brings to mind two important decisions that managers have to consider during internationalization, which include decisions before and after they enter the foreign market. First, a firm needs to decide on the modes of entry to an international market. Secondly, the firm needs to manage its stance towards the host government (nonmarket stakeholders). In what concerns the first decision, numerous modes of foreign market entry have been described extensively over the years in international business-research ranging from joint

ventures, franchising, merger, and acquisition, exporting, and licensing among others (Johanson & Vahlne, 2009; Knight & Liersch, 2016; Chetty, Karami, & Martin, 2018). A plethora of research has shown that foreign market entry modes for an organization depend on several factors such as previous foreign market knowledge and experience (Martin, Chetty & Bai, 2021), current institutional factors in the host market (Georgallis, Albino-Pimentel & Kondratenko, 2021) and organizational network capabilities (Johanson & Johanson, 2021). Managers' decisions, especially in multinational corporations (MNEs) at this phase, are usually guided by the knowledge acquired from previous experience, host country institutional advantages and disadvantages, network capabilities, the market needs, and the capabilities of the firm to transfer and integrate new knowledge from the foreign market to its subsidiaries and vice versa. However, empirical findings have shown that heterogeneous knowledge and experience are essentially more important to increase internationalization experience and success than homogenous experience (Argote & Miron-Spektor, 2011; Chetty, Johanson & Martin, 2014; Johanson & Johanson, 2021; Pellegrino & McNaughton, 2017). These scholars argue that heterogeneous knowledge and experience gathered from entry into different culturally diverse markets enhance the firm's absorptive capabilities more than that gathered from a repetitive homogeneous market. Furthermore, entry mode decisions are essentially influenced by MNEs' managers' bounded rationality, which is based on market and nonmarket indicators in both domestic and foreign markets, aligning with the overall global market needs and economic activities of the organizations.

In regard to the second question, i.e, firm stance towards the host government, neo-institutional theory has actively discouraged firms from getting involved with host government political activities. The theory suggests rather to study the business environment to conform to likely pressure that may impede successful business operations in the host country (Scott, 2014). Similarly, the cross-border corporate political activities (CPA) and firm internationalization success suggests that organization can either adopt the engagement or a non-engagement approach when it comes to managing nonmarket stakeholders in the host market (Chen, Li, & Fan, 2018**;** Shirodkar, Konara & McGuire, 2017; Kobrin, 2015). The engagement approach refers to organizations using proactive or defensive mechanisms such as lobbying or campaign contributions etc. to protect their business interest with nonmarket stakeholders while the non-engagement approach refers to organizations using a

reactive or anticipative mechanism to effectively respond to host government change in business and economic policies that may impact their business operations. Using a reactive or anticipative strategies (Non-engagement approach) is mostly prevalent in a relatively stable and sometimes toxic business environment where engaging host government nonmarket stakeholders can do more damage than good for an organization. Similarly, organization who uses a non-engagement approach can sometimes engage host government nonmarket stakeholders through a transactional strategies to resolved pertinent nonmarket issue that threaten business continuity. It is important to state that none of these approaches has been proven to be better than another, as both are dependent on the overall strategic objectives for the foreign market, perceived uncertainty of the host market, consumer needs, and the strength of firms' absorptive capacity (Adejare et al. 2023).

Scholars in NMS literature also refer to these two approaches as bridging and or buffering; where buffering/engagement is seen as the proactive host-government engagement approach and bridging/non-engagement is the reactive behaviour of a firm to comply with host government institutional and market policies in an international context (Meznar & Nigh, 1995; Blumentritt and Nigh, 2002; Kranenburg & Voinea, 2017). The engagement/buffering approach allows a firm to influence policies and tackle institutional regulations that may impede business operations through the strategic positioning of lobbyists. This approach encompasses adopting numerous CPA practices such as recruiting lobbyists, campaign contributions, constituency building, setting up a political action committee (PAC), government membership in company boards among other corporate political practices that firms can use to influence policies in the host market (Lawton & Rajwani, 2011; Li & Ding, 2017; Rajwani & Liedong, 2015; Muellner, Klopf & Nell, 2017). However, scholars have argued that, some of these CPA practices are unethical and undermine fair competitive market positions for other firms, especially medium and small organizations that do not have the latent resources to engage and lobby host-government policies to their advantage (Lawton & Rajwani, 2011; Rajwani & Liedong, 2015). A growing body of CPA scholars believe that firms that engage the host government political structure are doing so to complement the inefficiency of their dynamic/internal capabilities (McWilliams, Fleet & Cory 2002; Peterson & Pfitzer, 2009; Rehbein & Schuler, 2015).

The engagement and non-engagement approaches from the perspective of an organization are both sides of the same coin (firm internationalization success) because each approach reflects the organization's strength, perceived uncertainty of the institutional market context, firm network capabilities, foreign market needs, and the strategic long-term goals for the foreign market (Du, Bai & Chen, 2019). Engagement and lobbying have many similarities. In nonmarket strategy literature, lobbying is the most common and widely adopted CPA practice that MNEs use to engage and influence nonmarket policies (Rajwani & Liedong, 2015). While engagement, on the other hand, does not automatically lead to lobbying, a firm could engage nonmarket stakeholders in a social gathering, engage stakeholders to gather information about pertinent local, state, and federal policies and their effect on business standards, or enquire about certain government propositions and the likely impact on business continuity. A firm could also engage nonmarket stakeholders using CPA practices like setting up a political action committee (PAC), recruiting a politically exposed person to the company board, campaign contributions, or donations. Hence, engagement in this study is seen as a double-edged tactic aimed at understudying the business environment and its political nonmarket stakeholders' policies to align host market values and the business values for effective stakeholder engagement and internationalization performance.

The view of dynamic capabilities was a result of the immobile assessment of the resource-based view (RBV) to address the ever-changing and non-static business environment, especially for firms considering foreign market entry. This is because firm resources are keen on a company's stocks of material and nonmaterial resources, while capabilities are keen on the emergent operational process of an organization (Rajwani & Liedong, 2015; Muellner et al., 2017). Also, dynamic capabilities are the company's abilities to incorporate, shape, and restructure the inside and outside assets/abilities of a firm to address, explore, and shape quickly the changing business conditions to navigate successfully into the new market environment (Shirodka et al. 2017; Mbalyohere & Lawton, 2018). Furthermore, dynamic capabilities may in some cases be known in certain change schedules, which for instance involve product growth branded within an established route and analysis of new investment choices for an organization. These are normally found in an innovative and entrepreneurial act of an organization, e.g, pioneering a new market entry. They mirror the speed and degree to which the company's peculiar assets/skills can be adjusted and realigned to

coordinate the prerequisites and opportunities embedded in the identified potential business terrain for successful foreign market entry (Strange & Humphrey, 2018).

Shirodka et al., (2017) affirmed that many organizations have been influencing host country nonmarket forces through legal and illegal means, i.e. campaign contributions, direct lobbying, government membership on company boards, bribery among others to ensure success in the foreign market. This, however, has an enormous impact on the transaction costs incurred for foreign market entry, and these resource advantages give MNEs an edge over small and medium organizations considering internationalization (White et al., 2015). For instance, according to Opensecrets, (2018), out of 169 foreign firms that are actively lobbying government policies in the USA, the data shows that South Korea remains the highest-spending country since 2016. In the year 2018, Alibaba Group spent the sum of $2.7m on lobbying government policies and is still ranked as fourth only behind three large US corporate firms in the internet-industry.

Empirical findings have established that nonmarket actors determine the success and or failure of firms in a foreign market (Rajwani & Liedong, 2015; Mbalyohere & Lawton, 2018; Mbalyohere, 2016; Martin, et al., 2021; Georgallis, et al., 2020) as a result of changing policies which may have adverse effects on the continuity of firm operations. This is why much international business research has favoured institutional theory of the firm as a determinant of foreign market selection choices (Banalieva & Dhanaraj, 2013; Henisz, 2000; Pisani, Kourula & Kolk, 2017) as it guides firms in determining the right institutional context to expand business activities. Research has shown that sensitivity to host government institutional policies/regulations usually stems from home-country institutional policy structures (Holburn & Zelner, 2010; Albino-Pimentel et al., 2018). Nonetheless, literature on foreign market entry modes has examined how home and host country institutional structure can enhance knowledge creation and help a firm to gather relevant experience that can later be integrated into firm dynamic capabilities to achieve sustainable competitive advantage for both home and foreign markets (Rugman et al., 2011; Dunning & Lundan, 2008).

Furthermore, firm internationalization can be grasped as a procedure prompting greater reliance and shared awareness among economic, political, and social components in the global markets (Mbalyohere, 2016). This is because organizations like eBay, Starbucks, IKEA, 7-Eleven, and McDonald's have created action plans and effectively connected them to worldwide development (Morten, 2014). While these

companies' tasks may revolve around the fare (or import) of goods and services, it is the company resources and dynamic capabilities that have been strategically positioned in relevant countries of the business interest that offer them an upper hand in tackling and influencing the nonmarket forces that may impede their success in foreign markets. Usually, resources and capabilities that are top-notch in the domestic market require little adjustment and realignment to fit the economic, political, legal, or social environment in the foreign markets (Mellahi et al., 2016; Frynas et al., 2017; Shi, Gao & Aguilera, 2021).

In addition, Fainsod (1940) and Chen, Li and Fan (2018) suggested that for firms to successfully enter into a foreign market, they require three kinds of resources: financial resources (financing of political campaign activities), human (strategic positioning of lobbyist and lawyers), and political (building political coalition). Moreover, a firm can successfully design corporate lobbyist and their job would be to influence government behaviour in areas that protect the organization's territorial advantage, territory defense, and territory maintenance (Lawton & Rajwani, 2011; Frynas et al., 2017). In view of these, the current study is interested in examining how firms can successfully deploy their dynamic capabilities to manage international nonmarket risk (engagement or non-engagement approaches) in host countries of business interest. This is very important because the African economies and particularly Nigeria is considered one of the toughest and volatile markets for an organization to operate and this is due to the unstable government policies, lack of enabling business environment, weak institutional framework among others. Thus, understanding how multinational corporations operating in a market like Nigeria have been deploying their dynamic capabilities to influence host market stakeholders policies to their advantages will serve as an insight to organizations and contribute to international business and NMS literature.

1.2 Research Problem and Research Questions

The biggest challenge for most organizations considering internationalization is not how to compete with the market forces of demand and supply in foreign countries but how to favourably influence nonmarket actors' policies to the favour of the firm (Chen, Li, & Fan, 2018; Lawton, Dorobantu, Rajwani, & Sun, 2020**;** Akbar & Kisilowski, 2020). Despite the numerous success recorded on research in firm internationalization and CPA practices in foreign countries (Lawton & Rajwani, 2011; Li & Ding, 2017;

Rodriguez et al., 2006; White et al., 2021), it remains elusive how firm dynamic capabilities can be strategically used to achieve success in an ever dynamic and ever changing global environmental contexts and in particular among nonmarket stakeholders. The negative sentiment surrounding globalization and international business success in developed countries (Oestreich, 2002) portrays an international business environment where cross-border business transactions are consistently challenged by political uncertainties and host government hostilities to foreign firms, which mostly have an adverse effect on firm legitimacy in foreign countries (Duanmu, 2014; Meyer, 2017).

This conundrum places great emphasis on firm dynamics and network capabilities as a tool for navigating hostile political government structures and managing nonmarket uncertainties for successful business operations in foreign countries (Stevens & Newenham-Kahindi, 2017). Hence, this study's major research problem is to examine how an organization can strategically deploy its capabilities among nonmarket actors (politicians) in foreign countries in ways that will benefit the firm. In essence, the study is interested in examining the impact that managing and engaging nonmarket stakeholders through firm dynamic capabilities has on the success of firm internationalization in foreign markets. NMS literature has highlighted both legal and illegal CPA practices that firms considering internationalization have been adopting, ranging from recruiting lobbyists, constituency building, campaign contributions, bribery, and government membership in company boards, among others. This, however, projects the different methods with which MNEs are engaging nonmarket stakeholders in foreign countries, as highlighted above. Five research questions were examined for this study, and they are:

Research Question 1: How does managers' perceived uncertainty, in particular perceived political uncertainty, influence the engagement approaches adopted to interact with nonmarket stakeholders in foreign markets?

Research Question 1a: How do firm capabilities enhance managers' engagement decisions and firm internationalization performance?

Research Question 1b: How do managers' anticipative capabilities enhance the engagement approaches adopted and firm internationalization performance in foreign markets?

Research Question 1c: How do firm size and management political experience influence the relationship between managers' perceived political uncertainty and firm internationalization performance?

Research Question 1d: How does a manager's perceived political uncertainty influence the use of relational or transactional strategies in a foreign market?

1.3 Justification for the Research

Given the continuous international and global challenges, anti-globalization syndrome, and the dynamic business environment as a result of global environmental uncertainties, organizations are continuously looking for ways to successfully manage market and nonmarket strategy faced in the international markets and compete favourably. This conundrum places great emphasis on firm capabilities and how these can be used to enhance a firm's position in the host market. Literature on nonmarket strategies states that organizations, especially MNEs, have been using legal and illegal means to influence policies in host countries of business interest. These legal and illegal means range from bribery, lobbying, campaign contributions, donations, constituency building, corporate social responsibility (CSR), government membership in company boards, among others. Although the study focuses not on differentiating the legal and illegal means of influencing host government policies, but on how a firm can strategically deploy its dynamic capabilities in ways that will benefit the firm during internationalization. The international business literature and particularly research on nonmarket strategies have been very promising since its limelight about a decades ago and many research have been carried out focusing on nonmarket strategies, corporate social responsibilities and firm internationalization success (Kranenburg & Voinea, 2017; Akbar & Kisilowski, 2020) but there is a dearth of research focusing on how multinational corporations can manage nonmarket risk through their firm dynamic capabilities in an emerging or volatile economies like Nigeria.

Thus, this research aims to show how firms can strategically use their dynamic capabilities to engage nonmarket actors to favourably influence policies to the advantage of the firm in international market. The management of NMS stakeholders in the international market through firm dynamic capabilities stands as the major gap that this study, at the conclusion stage, aims to contribute to knowledge. The study also intends to show the importance of relational and transactional strategies as a

method of engagement strategies used by MNEs across international markets to favourable influence policies. This research focuses on the management of nonmarket risks, firm dynamic capabilities, and firm internationalization success, which remains a virgin area in IB nonmarket literature.

Countries have different economic, political, and environmental policies, which can be especially challenging for organizations looking to expand their business from a developed market to an emerging market context, and vice versa. So, firms need to understand the local policies and be able to map out market entry strategies and engagement approaches aligned with the organization's business values for both the short and the long term. This study will also provide insights to governments across countries, especially in emerging and developing countries in Africa and in paarticular, on the importance of having flexible nonmarket policies that attract foreign investors to further help improve the continent's economies. Literature has shown that foreign direct investment serves as a major contributor to many countries' gross domestic products (GDP) (Oguji & Owusu, 2021). This, therefore, places the onus on the government and relevant stakeholders in a country to ensure that the country maintains sustainable business policies that attract foreign businesses into the country. Finally, the study will also contribute to scientific knowledge, especially on NMS literature, by showing the importance of engaging and managing nonmarket stakeholders through firm dynamic capabilities in volatile and emerging foreign markets on internationalization success. This study will, without a doubt, provide a sound foundation and premise for future researchers on nonmarket risks and dynamic capabilities.

1.4 Methodology

For this study, a qualitative research technique was used. The qualitative analysis will use the narrative approach of qualitative research since the study is interested in the manager's perceived political uncertainty and the different engagement approaches adopted to manage nonmarket stakeholders in emerging and or volatile economies like Nigeria. Hence, interviews were conducted with the selected companies' management staff (public relations officers, export managers, compliance manager etc) bearing in mind the role of firm dynamic capabilities and the engagement approaches that can be adopted to tackle nonmarket stakeholders in foreign countries for business success (Easterby-Smith, Thorpe & Jackson, 2015). This will help provide

answers to the research questions stated for a comprehensive solution and understanding of how firms can manage international nonmarket risk through firm resources and dynamic capabilities. The justification for using interview method of data collection is that it is deemed appropriate given the need to ask respondents “how” and ‘why” questions as well as allowing new issues to emerge naturally from interview sessions. Given the complexity of the model and the study structure, the content analysis was used to structure and program the answers from the interviews conducted across the selected MNEs organizations.

1.5 Outline of the Thesis

This thesis is organized as follows: Chapter one; gives a brief introduction of the research and provides a clear problem statement for better understanding and directions for solving the issues stated based on the research question and hypotheses. Justifications for conducting this research were provided, and this was guided by gaps discovered in NMS literature. Chapter two; provides the literature review by examining relevant articles on Nonmarket risk, firm internationalization, market entry modes, and firm dynamic capabilities. This review was aided by relevant models from NMS literature.

Chapter three; examines the study methodology, which would be qualitative analysis, for an in-depth understanding of the constructs at hand and appropriate recommendations to be provided from the study findings. Chapter four; explains and presents the analysis based on the data generated from the interviews conducted. Findings, recommendations and conclusions are drawn based on this analysis. Finally, Chapter five; provide the conclusion of the research as well as implications for theory, practice, and policy. Limitations of the research and suggestions for future research are also highlighted.

1.6 Definitions of Terms

This section defines and explains the key concept in the study for a better understanding of the research problems.

Dynamic Capabilities: This refers to the firm's ability to consistently modify and reconfigure its internal and external capabilities to adapt to the ever-changing business environment and compete favourably in the markets.

Nonmarket Strategy: This refers to the strategy undertaken by firms to influence host government policies for the organizations to be able to compete favourably in the marketplace. This strategy is outside of the market strategy and is essential for the successful implementation of the market strategy. This strategy includes lobbying, campaign contributions, constituency building, a donation to a ruling political party, bribery, among others.

Market Strategy: Market strategy refers to the set of plans and actions put in place for successful execution and implementation of the firm's limited resources to increase sales, revenue and gain a sustainable competitive advantage in the market. This strategy includes mergers and acquisitions, diversification, brand positioning among others.

International Business: This is a business transaction conducted beyond the current domestic business domain of an organization. They are cross-border business transactions usually carried out by firms considering internationalization. This enables firms to expand their current business scope, market share, and gain heterogeneous market and business experiences.

Engagement Approach: The engagement approach here refers to firm actions to influence host government policies to the advantage of the organizations. This approach allows a firm to use both defensive and proactive strategies to build external capabilities by lobbying for favourable business policies. NMS literature also refers to this approach as a buffering strategy.

Non-engagement Approach: The non-engagement refer to a strategy adopted by an organization that chooses not to influence host government political structure. Instead, the organization strengthen its internal capabilities to be capable of reacting to changing host government policies for the organizations to remain in business. So organizations use reactive and anticipatory strategies to comply and protect their business values in the host markets. NMS literature also refers to this approach as a bridging strategy.

Corporate Political Activity (CPA): These are ways with which firms access host markets' policies at the state, local, and national levels to achieve

their corporate goals in the host markets. CPA activities for firms, especially multinational corporations, range from recruiting lobbyists, bribing government officials, constituency building, campaign contributions, and voluntary party donations, among other CPA practices undertaken by firms to achieve corporate goals in international markets.

Corporate Social Responsibility: These are activities engaged in by firms to support social and environmental goals. These activities are mostly philanthropic, and organizations engage in these activities to gain host markets' legitimacy and relevant stakeholders' support. However, CSR can also improve the organization's image and serve as an engine of brand recognition in the long term.

1.7 Delimitations of Scope and Key Assumptions

The broad scope of this study was to examine multinational organizations with a presence in more than two African countries especially Nigeria. The study aims to examine how firms have been able to strategically manage nonmarket risks in host countries of business interest. How they are engaging host government nonmarket structure to influence policies to the advantage of the organizations. The scope of this study was restricted to multinational organizations with physical presence in Nigeria. The justification for selecting these numbers of firms is to be able to cover a wider number of respondents to have a comprehensive representation of the findings that will come from the qualitative interview analyses. Delimitations; the population size was decision-makers at the top management level particularly those working at the public relations department as they are usually saddled with the responsibilities and strategies of engaging nonmarket actors in Nigeria. The study participants will include employees (e.g public relations officers) who are at the top management level in multinational organizations in Nigeria.

1.8 Conclusions

This chapter presented the background to the study, the statement of the problem, and research questions. The justification for why this research is relevant was presented including a concise introduction of the research methodology, delimitations,

and operational definitions of terms were also presented. The next chapter will review relevant literature on nonmarket risks and firm dynamic capabilities.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

Sustainable business operations have moved beyond the market strategies (consumers, suppliers, and competitors), many organizations are seeking to incorporate nonmarket strategies into their corporate business strategies. For many organizations, especially MNEs, market success is now beyond the product and service offerings, distribution networks, internal operational dynamics, and strategic alliances, among others (Doh, Lawton & Rajwani, 2012; Kim 2022). Market success is now determined by how well an organization can effectively manage the nonmarket actors/risks, such as the regulators, government, activists, and media agencies (Mellahi, Frynas, Sun & Siegel, 2016; Dorobantu, Kaul & Zelner, 2017). The reason is that successful internationalization is now hemmed in by nonmarket actors' activities, and organizations that fail to align with the host market stakeholders' values with their strategic business are doomed to fail. Similarly, the negative sentiment surrounding globalization, nationalization, and environmental uncertainty places great emphasis on NMS risk and why managers need to integrate the interests of NMS actors into the overall corporate goals for successful internationalization.

NMS forces determine the success and or failure of business in an international context hence, these forces warrant the same level of attention given to market strategies. A firm business strategy must be capable of helping an organization to manage both market and nonmarket forces by placing relevance on the concurrent use of market or competitive strategies and nonmarket or public opinions even though both are different in practice but serve a complementary goal to firm corporate success (Mellahi et al., 2016; Kim, 2022). Nonmarket forces comprise political, social, and legal/regulatory structures in a country and each of these forces influences the interactions between organizations and the general public. Since nonmarket strategies came to the limelight among international business scholars, a handful of researchers have focused on numerous issues that MNEs face concerning managing international nonmarket risk for successful business strategies. Issues ranging from firm legitimacy (Kranenburg & Voinea, 2017; Akbar & Kisilowski, 2020), liability of foreignness (Akbar & Kisilowski, 2020), consumer activism through CPA and constituency building

(Johnson, Bauer & Carlson, 2022), resilience to political shock (Lupton, Behnam, Jimenez, 2020; Zhang, Parnell & Xiong, 2020; White, Rajwani & Lawton, 2021), jurisdiction shopping and selection of foreign location (Georgallis, Albino-Pimentel & Kondratenko, 2021), integration of CSR and CPA strategies (Du, Bai & Chen, 2019), political animosity between home and host country (Liou, Brown & Hasija, 2021), market and nonmarket management of climates change (Kim, 2022), designing lobbying capabilities (Lawton & Rajwani, 2011; Nalick, Kuban, Ridge, Zardkoohi, Bierman & Schijven, 2022) among others. Each of these issues reflects numerous NMS strategies played through CPA practices and how MNEs are managing the nonmarket forces in international business literature. However, the strategic positioning of firm dynamic capabilities in the management of NMS forces in the host market remains elusive in NMS literature, and this is what this research aims to contribute to knowledge.

Since the introduction of the concept of nonmarket strategies through Barron's (1995) seminar, the international business literature has advanced numerous advantages and disadvantages of managing and or engaging with the host government's nonmarket structure. NMS allows an organization to understand the country's institutional dynamics, regulatory framework, obtain firm legitimacy, and understand/manage the cultural differences between home-host countries to achieve sustainable internationalization performance (Liou, Brown & Hasija, 2020). The adoption of NMS strategies depends on the strength of the firm's dynamic capabilities, the complexity of the institutional framework, and the overall corporate business goals for the host country. Nonmarket strategies can be divided into two separate features: corporate political activities (CPA) and corporate social responsibility (CSR). Literature has dealt extensively with the uniqueness of each and the integration of both to develop successful internationalization business strategies (Du, Bai & Chen, 2019). These strategies and their corresponding approaches/elements were reviewed extensively in the following sections, thereby articulating ways in which MNEs can strategically position their dynamic capabilities among nonmarket forces in an advantageous manner. Hence, this chapter examine international business by looking at entry choices available to MNEs, nonmarket strategies (engagement and non-engagement approaches), relational and transactional strategies, internationalization performance, firm resources, and dynamic capabilities.

2.2 Theoretical Framework

The international business and particularly the nonmarket strategy literature have been shaped by diverse theoretical research streams, most notably the resource-based view theory (RBV) (Barney, 1991), Network theory (Johanson & Mattsson, 1988; Peng, 2001; Young, 2003), and political embeddedness theory (Granovetter, 1985), among others.

The resource-based theory explains how a firm can gather essential resources to enhance market performance and competitive advantage (Barney, 1991 & 1996**)**. This theory explains the interconnectivity between firm resources and market outcomes (local and international levels) and is widely used and acceptable across several fields (Zhao & Fan, 2018). Thus, this theory has become one of the most compelling theories that explains firm resources and market advantage (Kozlenkova, Samaha & Palmatier, 2014; Palmatier, Dant, Grewal & Evans, 2006). This theory serves as a frontier for many international business theories as they directly or indirectly acknowledge the importance of the RBV view in explaining competitive positions and strategies in international market contexts. However, the weakness of the RBV theory brought about the emergence of the dynamic capabilities theory, which explains how a firm can adapt, integrate, and reconfigure resources to be able to leverage the ever-changing dynamic business environment. Network theory focuses on how organizations are part of large networks and needs to explore these networks to create important relationships or ties with relevant market and nonmarket actors to enhance the firms' internationalization experience. Finally, political embeddedness theory focuses on the extent of engagement or encroachment that an organization is willing to allow political actors in host countries to have in their overall strategic business goals. In this study, the network, political embeddedness, and dynamic capabilities theory were the underpinning theoretical frameworks for this research, and the justification for using these theories is that they are useful in explaining how organizations can create and maintain relevant social ties with nonmarket actors in the international market context.

2.2.1 Dynamic Capabilities Theory

The dynamic capabilities theory and the resource-based view (RBV) are considered strategic management frameworks and are distinct in their focus and scope. The RBV emphasizes the internal capabilities of firms (resources) to achieve sustainable

competitive advantage for an organization. This means that the ability of a firm to achieve sustainable competitive advantage in a foreign market heavily relies on how easily it can access valuable, uncommon, unique, and non-substitutable resources (Nyberg, Moliterno, Hale & Lepak, 2014). The ability of a firm to create or access these resources significantly influences its effectiveness, competitiveness, and success in internationalization. On the other hand, the dynamic capabilities (DC) focus on how an organization can adapt, integrate, and reconfigure its capabilities (resources) to tackle the ever-changing dynamic business environments. Capabilities in this context refer to the competencies that are generated from an organization's resources, which, over time, confer competitive advantage to the firm (Grant, 1991). RBV focuses on building and deploying existing internal resources to achieve competitive advantage. In contrast, the DC focuses on changing and integrating these capabilities to respond to external forces (nonmarket stakeholders). Thus, dynamic capabilities refer to a bundle of skills and knowledge that allow an organization to plan and utilize its resources to respond to the dynamic business environment. The changing business landscape requires an organization to achieve a sustainable competitive advantage to constantly renew, integrate, reconfigure, and create tangible and intangible capabilities to respond to the ever-changing business environment (O'Connor, 2008).

The international business environment has moved from a predictive structure of operations where firm resources (RBV) can be used to harness and enhance competitive position. The dynamic nature of the global business environment and the uncertainty plaguing firm internationalization exposed the weakness of the RBV and brought about the emergence of the dynamic capability theory. Teece, Pisano, & Shuen (1997) argued that dynamic capabilities do not rely on the dynamic nature of the business environment but rather on the firm's ability to reconfigure its capabilities and respond to changing market conditions. An organization with resources and knowledge but with DC deficiencies might be able to enjoy a competitive advantage for a short period, but would not have the capacity to sustain such an advantage for an extended period, except by chance (Teece, 1998). This is because DC confers the advantage that allows an organization to constantly renew, integrate, and reconfigure internal and external resources in novel ways to achieve sustainable competitive advantage. The DC research has been critical of the managerial capability role rather than the firm resources, as emphasized by RBV (Pitelis & Teece, 2010). The managerial capabilities are regarded as a unique tool of DC emphasizes because of

its capacity to rearrange organizational resources to respond to the dynamic nature of the business environment.

2.2.2 Network Theory

Johanson and Mattsson (1988) are the proponents of the network theory. They expanded the view of the social exchange theory (Cook & Emerson, 1978) and the resource dependence theory of (Pfeffer & Salancik, 1977) to explain the interconnected web of relationships in a network (customers, suppliers, and distribution value-chain) that an organization can explore to achieve internationalization success. Hence, for this research, network theory can be defined as the creation and strategic maintenance of important foreign business networks for firm internationalization activities. Network theory views an organization as a member of a market network that engages and exploits the relationships within its network for firm internationalization purposes. In other words, firms invest time and resources to build short and long-term relationships with important actors in their networks, depending on the needs of the business. Relationship and trust are essential capital in network theory because they provide organizations access to important information and resources, and these opportunities are not accessible to organizations outside of the networks (Forsgren, 2008; Bilro & Cunha, 2021).

As earlier stated, relationships and networks are essential capital in a firm's internationalization process as they enable a firm to leverage and gain access to important knowledge and information necessary for effective positioning and strategic business alignment in the international market. In addition, the global environmental and political uncertainty makes the network's approach necessary for successful firm internationalization as it permits a firm to leverage local stakeholders (foreign business partners, suppliers) relationships to gather essential knowledge and information about the host market and nonmarket business structures (Bilro, & Cunha, 2021; Nkemdilim & Elvis, 2021). Small and medium-scale organizations may be at a disadvantage because of resource constraints needed to achieve successful internationalization. However, the network approach level makes it simpler for all levels of organizations (SMEs, medium, and MNEs) as it allows an organization to leverage relationships and resources from their distribution and production networks to strategically compete and position themselves in the international market. Similarly, Johanson and Mattsson

(1988) argue that the whole world could be seen as a single network, which suggests the development of one's networks knows no end.

This points to the potential of organization's network and relationship building as the influence cuts from country to country and or market to market. The network of an organization can be weak or strong, small or large but never ends and its relevance is beyond a specific geographic zone (Nkemdilim & Elvis, 2021). Also, relationships in a firm's network can be used and reused to establish other connections in another countries. This means that a network or relationship can be terminated and a new one created, depending on the needs of the firms, and all of these are determined by the network activities. The influence and importance of networks and relationships in international markets are crucial for the success of internationalization. Thus, the extent of a company's internationalization can be traced to the strength of the firm's networks. In other words, the higher the degree of firm internationalization networks, the higher the strength and the capacity of their networks in the global production/business value chain, and the higher their business scope. According to the network theory, organizations can enter into foreign markets through either joint ventures, franchises, mergers, or acquisitions, among other international market entry modes, by leveraging on established direct and indirect networks of relationships within their business domain. Hence, lack of adequate knowledge and information about the foreign market may impact a firm decision regarding resource commitment, the relationship to leverage in their networks, and the modes of entry into the international market, and this also aligns with the view of (Johanson & Vahlne, 1977 & 2009) in their Uppsala internationalization model *see figure 1* below.

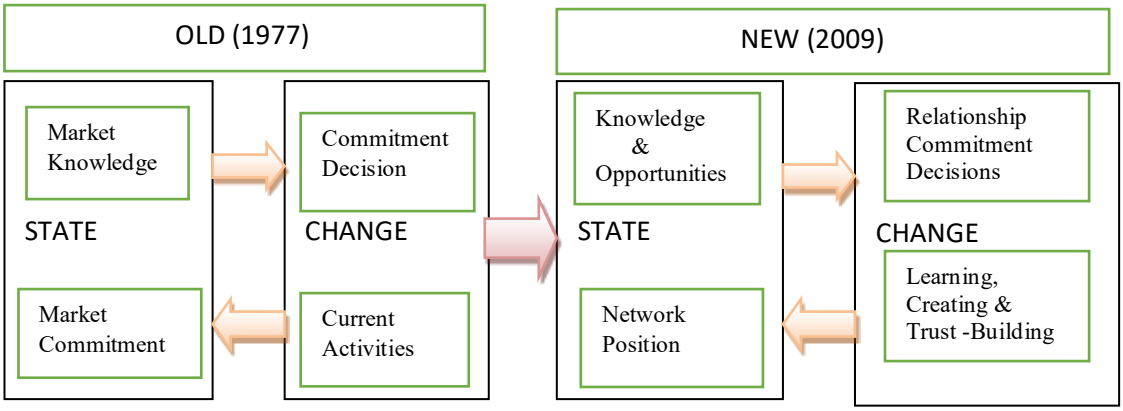
2.2.2.1 Uppsala Internationalization Model

The Uppsala Internationalization Model was the result of the Johanson & Vahlne, (1977) research carried out in Swedish manufacturing firms in the 1970s and later reviewed by Johanson & Vahlne, (2009) to incorporate the modern realities of the firm internationalization process. The authors argue that a firm's internationalization process allows foreign market entry in a stage-by-stage manner depending on the knowledge gathered from the markets and the relative level of success achieved over time in the market (Fortwengel, 2017; Strange & Humphrey, 2018). According to the Uppsala internationalization model, firm internationalization perspective has moved from a mere rationalistic interpretation of the market constraints to a more pragmatic

orientation where market knowledge and networking capabilities play a vital role in entry modes decision-making (Johanson & Vahlne, 2003, 2009). The Uppsala Internationalization Model/theory gives credence to the importance of having extensive market knowledge before committing resources to the international market to help alleviate unnecessary losses during internationalization. The model (see Figure 1) provides a good understanding of the internationalization process and entry modes decision-making for firms considering foreign market entry. The model relies heavily on the importance of the resource-based view as a basis for foreign market entry.

Figure 2.1

The Uppsala Internationalization Process Model



Source: Adapted from Johnson & Vahlne, (1977, 2009)

Research has shown that location familiarity has a significant bearing on the choice of market entry mode. Organizations that have a greater knowledge of the intended market are likely to adopt a direct investment mode (Hill et al., 1990; Kim & Hwang, 1992; Schellenberg, Harker & Jafari, 2018). Findings have shown that the only way to have practical experience of a market or location is to have transacted directly in that market or location. Hence, high location or market knowledge will reduce the barrier of distance between home and host country. Firms also become reluctant to foreign direct investment decisions (FDI) when entering into a culturally different country compared to the home country but as they become familiar with the host country's languages and culture, the likelihood of FDI increases (Schellenberg et al., 2018). Thus, the experience of a market or location is an important indicator and should be considered for choosing a market to expand business activities. Furthermore, the projected market size of the host country/market is another important indicator

necessary to be considered during the entry mode decision. The most commonly observed characteristics in the host market are the attractiveness and market size of the host country (Root, 1994).

According to Parola, Satta, Persico & Di-Bella, (2013), small markets favour entry mode with minimum break-even sales volume (e.g. exporting) whereas markets with high sales potential validate the reasons for committing higher resources to entry modes (e.g. FDI). Empirical findings suggested that market size has a significant impact on entry mode decision. For instance, Kwon and Konopa (1993) researched manufacturing firms in the U.S., especially on exporting and FDI choices and they confirmed that the market size of firms embracing FDI is higher than the market size of those embracing the exporting mode. Hence, this shows that the market potential is an essential factor in the entry modes decision. Another essential factor is service requirements. Many recent theoretical and empirical studies have affirmed that service requirements also affect entry mode decisions, especially in the area of marketing strategy (Adejare, Udofia & Olaore, 2023**)**. The call for a high level of service required to achieve the before and or after-sales goals of the organization requires firms to commit a high level of resources to the market to enable effective services to be performed (Musso & Francioni, 2014). Ramaseshan and Patton (1994) confirmed that organizational product servicing has a significant correlation with overseas market selection. Thus, a firm whose product and service operations are hinged on backup support resources from other countries is more likely to adopt an FDI option that enables a wholly-owned subsidiary. This means that organizations are more likely to choose a market or location to expand to base on the proximity to support resources needed for the overall corporate business activities.

2.2.3 Political Embeddedness Theory

The political embeddedness theory is an important theoretical lens that provides insight into the importance of a firm's political engagement in business strategy, performance, and internationalization success (Albino-Pimentel, Anand & Dussauge, 2018; Michelson, 2007; Okhmatovskiy, 2010; Sun, Mellahi & Thun, 2010). Many scholars perceived political embeddedness as a term referring to the connection or linkages that exist between an individual/organization and the nonmarket political actors in the host market (Sun et al., 2010). The impact of political embeddedness on organization has been widely discussed in literature ranging from information

gathering (Marquis & Qian, 2014), charitable donation (Luo & Wang, 2021), solving social or environmental problems (Nguyen et al., 2022), responding to social scandals (Noronha et al., 2015) and the fight for human rights (Whelan & Muthuri 2017). This explains the broad impact of political embeddedness on organizations. The traditional theory believes that the host government's political structure is responsible for safeguarding public interests and curtailing the activities of profit-seeking organizations through the creation of an institutional structure to enhance public welfare (Henderson, 2004). However, with the inevitable social problems and the flaws in developing countries' legal systems, organizations are sometimes emboldened with the public welfare such that they contribute to the welfare of the public through CSR initiatives which most times are beyond the corporate objectives or interests (Jamali & Karam, 2018). Also, politically embedded organizations sometimes respond to the initiatives of the host government by creating social welfare that serves to benefit wider stakeholders. This means that politically embedded organizations are intertwined with the host government's political and economic initiatives such that the organizations seek to gain favourable outcomes or goodwill from the government by seeking to create CSR initiatives to enhance public welfare.

International business scholars have attempted to define political embeddedness: e.g according to *Michelson (2007), political embeddedness refers to the focal firm's 'bureaucratic, instrumental or affective ties to the state and its actors'*. But for this research and taking insight from Michelson (2007) definition, political embeddedness shall be defined as the relational engagement or ties of firms and their owner or chief executive officer (CEO) to the host country's political and regulatory structure. Research on political embeddedness and its value to firm internationalization performance has found a conflicting impact on firm performance. For instance, the work done by Albino-Pimentel, Anand & Dussauge, (2018) found that there is a significant positive impact between politically embedded directors and the scope of foreign direct investment (FDI) whereas, Fernandez-Mendez, Garcia-Canal, and Guillen (2018) found a negative impact. Similarly, research has shown support for state-owned organizations (SOEs) in China and the level of their internationalization performance through the political embeddedness of organizations. The idea that SOEs organizations promote firm internationalization through the perspective of institutional support is mostly prevalent in SOEs organizations in China (Hong, Wang, & Kafouros, 2015). This is not surprising because organizations

especially SOEs in China enjoy critical resource advantages due to their ties with the government and this is why numerous studies carried out to examine political embeddedness and SOEs performance in China mostly found a positive impact.

Empirical findings have shown that national/local organizations hold a greater advantage compared to foreign firms due to language differences, culture, and embedded local business practices but this does not make them better market and nonmarket performers as local firms also face discrimination and political challenges depending on the industries the organization belong to (Estrin et al., 2016). Although a domestic firm has access to extensive information and government support regarding internationalization operations (Gulati & Sytch, 2007), the function of the state is very important in the home market. Research on political embeddedness has been very pronounced and conflicting in findings because of the rising political and environmental uncertainties surrounding the global market context. Political embeddedness can be perceived by some organizations as a disadvantage or an encroachment on organizational business activities. It may end up providing unique business opportunities for other organizations if it is well managed. Viewing embeddedness as an 'opportunity' refers to the level of organizational relational activities maintained with strategic actors in the host country, which can serve as a source of relevant information and knowledge of the market and nonmarket strategic policies. Therefore, the relationship between organizations and strategic actors in the host market/country is reciprocal, and the actions of both parties are earlier defined.

The work done by Sawant, Nachum and Panibratov (2021) found that greater dependence by the firm through interpersonal political embeddedness may result in detrimental encroachment in firm corporate-governance thereby altering firm operational objectives to favour the political actor's goals rather than the firm's goals. Political embeddedness is an essential tool and an enabler for higher internationalization performance when effectively managed and the parties' actions earlier defined. Having relational networks with the host government's political structure not only provides important opportunities for an organization but also clarify rules, regulation standard, and the expectation of the government from the firm (Oliver, 1997). These relational networks help an organization obtain approval for new and redefine projects from the institutional environment in the host market. For instance, Yiu and Lau (2008) found that political ties in the host market provide the CEOs the legitimacy required to embark on new product development or ventures.

In light of this, scholars argue that organizations should consider the advantages and disadvantages of political embeddedness as a firm that has direct connections to the government may experience increased operational cost due to government officials' encroachment in corporate governance (Okhmatovskiy, 2010). Another disadvantage of political embeddedness is that it may discourage buyers during mergers and acquisitions due to the level of political encroachment embedded in firm corporate governance which may be difficult for the buyer to control (Liou et al., 2021). For instance, empirical findings of a 10 years study of Chinese-listed-energy-firms mergers and acquisitions, political ties had a significant impact on firm performance when there were no M&A, while political connections were found to impact negatively firm performance through M&A activities (Li & Ding, 2017; Li, Shahzadi, Zheng & Chang, 2021). Similarly, in the work done by Pang and Wang (2020) covering 49 countries and 151,475 firm-year observations, they found that political connections have an adverse net impact on firm performance and its asset value. In explaining their position, they opine that political embeddedness may undoubtedly provide access to critical essential resources which, however, may expose a firm to political encroachment in firm corporate governance thereby causing multiple-agency conflicts in the host market.

Additionally, Okhmatovskiy, (2010) found that firm owners' and board members' ties to SOEs are directly linked to greater profitability for the organization while there is no significant performance difference for firms that have direct ties to the government. Also, Burt and Opper (2020) found that firms with political connections and greater business networks are more prosperous than their counterpart and therefore warn business owners from ignoring the government. The key issue here, therefore, is for an organization to establish and define the level of political embeddedness or encroachment that it is willing to allow in its corporate governance. An organization must know when to keep some distance from the government to avoid ‘over-embeddedness’. The overall degree of political embeddedness may vary depending on the business contexts, the enterprise objectives, the stability of the political environment, and the legal environment vis-à-vis government right as a shareholder in the organization. Thus, this conflicting view of political embeddedness, and corporate political activities should therefore be seen as an action rather than a reaction to political actors’ activities in a foreign market.

2.3 International Business: International Business Selection and Entry Modes Decision Processes

Organizations across the globe strive to internationalize their business and expand beyond their existing markets; however, many of these organizations cannot successfully compete in a foreign context. Literature on international business and market selections is extensive (Johanson & Vahlne, 2009; Knight & Lieersch, 2016; Chetty, Karami, Martin, 2018) mainly because the decision to select a foreign market for business interest is vital to the success of firm internationalization. Selecting the right market not only increases the chances of success for firms (He & Wei, 2011) but also helps firm to establish a solid international business strategy that not only benefits firms geographically (Papadopoulos, Malhotra & Martín, 2011) but further strengthen their political connections (Mersland, Nyarko & Sirisena, 2020) and network capabilities. The desire to internationalize business enhances the global standings of an organization on the international business landscape and the numerous opportunities that this desire articulates brought about the pertinent question in the mind of MNEs managers: which country/market should we expand to?

2.3.1. Entry Modes Decision and Market Selection

The complexities of international market selection (IMS) make it difficult for international business scholars to agree on relevant concepts that make up a solid definition of international market selection (IMS) (Buerki, Nandialath, Mohan & Lizardi, 2014; Malhotra & Papadopoulos, 2007). For this study, IMS can be defined as the process of scanning, identifying, and selecting a market/country that meets the established firm criteria for overall corporate business objectives, later market-development and networking capabilities (Ozturk, Joiner & Cavusgil, 2015; Papadopoulos et al., 2011). This definition not only shows the importance of selecting a market for business expansion purposes but also articulates the significance of firm decisions on the mode of entry to the international market (Papadopoulos et al., 2011). Literature on international business and entry modes to foreign markets has been extensive given its dynamism to allow managers to choose from a range of options such as joint ventures, franchising, merger, and acquisition, exporting, and licensing among others (Johanson & Vahlne, 2009; Knight & Lieersch, 2016; Chetty, Karami, Martin, 2018; Oguji & Owusu 2021). The decision to choose from among this plethora of entry modes options rests on organization and host country environmental

indicators such as previous foreign market knowledge and experience (Martin, Chetty & Bai, 2021), institutional factors, and complexities of the host market (Georgallis, Albino-Pimentel & Kondratenko, 2021), organizational network capabilities (Johanson & Johanson, 2021) and the strength of firm dynamic capabilities (Degbey, Eriksson, Rodgers & Oguji, 2021).

Among these entry modes options, literature on mergers and acquisitions seems to have taken the spotlight in recent years compared to other entry modes in international business probably because of the innumerable challenges firms face in the international market (Degbey & Ellis, 2017, 2019; Liou & Rao-Nicholson, 2017; Oguji &Owusu, 2017; Peng, 2012) and the need to curb unnecessary loses and exposures in the foreign market. These entry modes alleviate several challenges for the firm during internationalization ranging from liability of foreignness, issue of social and political legitimacy, access to existing network capabilities, strategic positioning in the market and nonmarket arena, reduction in firm stake in case of closure or political upheaval and effective management of cross-cultural political differences between home-host country (Mellahi & Mol, 2015; Liou et al., 2020).

In selecting an international market to expand business operations; experience plays a strategic role in the decision-making, corporate culture, and collective knowledge of the management board are another essential factors that shape the strategic directions and decision-making. Choosing a market without sufficient experience, market knowledge and collective wisdom of the management team tends to expose the organization's business activities to unnecessary risks and environmental uncertainty. Successful business activities under the current global business environment are contingent on the company having access to certain resources and capabilities necessary for a wide range of industries and market conditions (Shen, Puig, & Paul, 2017). International market entry modes can be categorized based on the level of control, ownership/commitment, and risk involvement (Shen et al., 2017; Swoboda, Elsner & Olejnik, 2015). As an example Hill, Hwang & Kim, (1990), conducted research on service firms in the United States and categorize international market entry modes based on their level of control; full-control (i.e owned all operational apparatus) and shared-control mode (i.e based on contractual arrangements or joint venture operations). In the same way, Kim and Hwang (1992), supported by Shen et al., (2017) classified international market entry modes into three levels: licensing, joint ventures, and wholly-owned subsidiaries. These authors believe

that classifying market entry modes into three provides unique differences and options for an organization to minimize its level of control, commitment, and exposure to international markets.

2.3.2 Uncertainty in the Business Environment

The environment of a business holds fundamental and strategic importance to the survival and continuity of a business in the host country. Over the years, management scholars have examined different characteristics of the environment and their corresponding effects on business organizations. Characteristics such as stakeholders' expectations (White & Lee, 2007; Adejare, Oladipo & Udofia, 2023), environmental regulations (Konnola and Unruh, 2008), technology development (Jabnoun, Khalifah & Yusuf, 2003) and specific features salient to industries/sectors (Griffin & Mahon, 1997; Markowska & Wiklund, 2020). Nonetheless, an important factor in IB and nonmarket literature is environmental uncertainty with specific reference to environmental uncertainty perceived within an external business environment and the strategic management decision-making processes that emanate afterward (Lewis, 2004). According to Sharma, Aragón-Correa & Rueda-Manzanares (2007) and corroborated by Adejare et al., (2023), the complexities of the international business environment with regard to developments in technologies, changing regulations, and societal demands make the business environment and its ensuing uncertainty worth evaluating before making international business decisions. Environmental uncertainty can be defined as the perceived unpredictable nature of host market environments and their corresponding components. As an example, managers may become uneasy or uncertain about the changing technological direction which may impact consumers' preferences of organization products and services, or uncertain about the operational impacts that government regulations can have on the business (Sharma et al., 2007; Magnani & Zucchella 2018).

An unpredictable business environment may become the reason for some strategic business decisions such as proactive engagement with host government non-market actors to build long-term relationships capable of influencing policies and regulations to the advantage of the firm. A firm can also make some strategic investments decision by committing resources to new projects to enhance the firm innovative capabilities and curtail competitive opportunities within the industry (Markowska & Wiklund, 2020). Hence, the managers' perception of the role of the natural environment and its ensuing

advantages and or disadvantages to business activities are dependent on organizational factors such as firm dynamic capabilities, management political experience, previous internationalization experiences among others (Magnani & Zucchella 2018). In the field of strategic management, there are two dominant perspectives regarding environmental uncertainty: information uncertainty approach and resource dependence theory (Kreiser & Marino, 2002). Authors who support the first approach argue that an organization finds it very difficult to access accurate information and knowledge about its business environment, and this inaccurate information brings about environmental uncertainty within an organization (Schmitt, Rosing, Zhang & Leatherbee, 2018). However, Resource dependence theory accentuates the importance of acquiring critical resource advantages that are important for a firm competitive position in the host market (Leroux & Goerdel, 2009). Scholars who support the resource dependence theory argue that the business environment has embedded several limited resources essential for the continuous running and survival of a business (Schmitt et al., 2018; Townsend, Hunt, Mcmullen & Sarasvathy, 2018). The lack of any of these resources in an organization may provoke the perceived environmental uncertainty that managers sees during internationalization process.

Environmental uncertainty can be interpreted differently and this interpretation is based on several internal and cognitive factors of the managers. For instance, changing environmental policies can be perceived by managers as an opportunity to innovate and launch new product development and others may perceive it as a threat and hence, increase lobbying resources/capabilities to curtail the effect on business operations (Foss & Klein, 2012). Thus, uncertainty means different things to different individuals because the surrounding events have a subjective connotation. As an example, Milliken (1987) and Ilonen, Heinonen and Stenholm, (2018) categorize uncertainty into three different types: state, effect, and response. State uncertainty can be seen from the angle of the external environment and interpreted from a person's inability to accurately forecast changes in the business environment. For example, changes in the area of policies and regulation, consumer taste and preferences, technology development, and political upheaval. Effect uncertainty is seen as an inability of a person accurately forecast how the changes in the business environment will affect their daily operations. While response uncertainty refers to the inability to respond accurately and insightfully to the changes in the business environment,

decision-making is a day-to-day activity of managers and when dealing with uncertainty, managers make decisions based on antecedent knowledge and experience relating to the perceived uncertainty and its corresponding effects and components (Foss, Klein and Bjornskov, 2019).

Without a doubt, the 21st century opens an era of global uncertainty, as firms struggle to adapt to the increasing changes in political-configuration, social and technological dynamism. The covid-19 pandemic catalyzed a shift from a traditional point of view to a more structured and technologically advanced approaches of engaging with society and relevant stakeholders (Lawton et al., 2020). Conversely, the increasing globalization and unending multinational business interests in a foreign market open an era where political connections and institutional complexities have become important factors for successful firm internationalization. These issues stem from increasing advocacy for nationalization, protectionist measures, and anti-globalization sentiment which leave the firm at the mercy of its political connections, and managers' understanding of the intercultural differences between home-host countries (Liou et al., 2020). Many countries all over the world are now edged with fragile political and regulatory institutions, leading to nonmarket risks such as liability of foreignness, regulatory uncertainty, cross-border migration dispute, judicial-arbitrariness, and incessant social inequalities (White III et al., 2021).

These shortcomings often challenge firms' strategic decisions as a result of these political and regulatory uncertainties, which are most often challenged by these shortcomings (White III et al., 2015; De Villa et al., 2019). While some MNEs benefit from these irregularities, others are faced with increased transaction costs and numerous political and regulatory burdens that affect firm market and supply chain networks. In response to these increasing institutional weaknesses, MNEs are strategically restructuring and rethinking their existing capabilities and developing new capabilities in NMS arenas (Meyer, 2017).

2.3.3 Internationalization Performance

The concepts of performance and firm internationalization have been widely researched and hold many inconsistent interdisciplinary empirical conclusions and relationships. In general, internationalization can be conceptualized as an array of foreign investments that may yield outcomes such as revenue increase (Filatotchev & Piesse, 2009; Paul & Wooster, 2008), increase in economies of scale or efficiency

such as low production costs (Bharath, Dittmar, & Sivadasan, 2014) and it can also be an opportunity to discover new products and service innovation knowledge (Grossman & Helpman, 1989). Literature on international business has affirmed that expanding to the international market might be beneficial to firm growth and financial performance (Johanson & Vahlne, 2009; Luo & Mezias, 2002; Mezias et al., 2002), however, this expansion also comes with some cost and issues such lack of familiarity with host country culture, political upheaval and changes in the natural environment of the business. Empirical findings have examined the relationship between the level of internationalization and performance to understand whether expansion to international markets brings about a superior financial advantage to an organization (Miller, Lavie & Delios, 2016).

Often, these studies scholars focus mostly on the benefits of internationalization and do not highlight the risks and failures that may occur, considering the uncertainty surrounding the global business environment. Early studies, especially between the 1970s and 1980s, have found a linear relationship between internationalization and firm performance (Glaum & Oesterle, 2007). However, findings on these concepts have been contradictory and inconsistent given the dynamism surrounding the global business environment. Most prominent scholars in the field of internationalization and firm performance have argued that the ambiguity and disparity in these relationships can be traced to the omission of internationalization cost while designing the theoretical framework (Sullivan, 1994; Gomes & Ramaswamy 1999; Napaporn & Chaiporn, 2023). Thus, it is argued that the purpose of internationalization for MNEs is to create value, maximize shareholders' investment, expand business operations to exploit identified market opportunities, and achieve economies of scale. However, these efforts yield favourable performance depending on two factors as proposed by Napaporn & Chaiporn (2023): first is the industry competition and the second is the level of innovative intensity surrounding the industry. Firm internationalization performance is moderated by these two factors.

Previous empirical research found a negative direct impact on industry competition and firm internationalization performance (Bustamante & Donangelo, 2017; Spiegel & Tookes, 2013). Thus, firms operating in different international markets would have been able to achieve economies of scale and hence, would have the advantage in a highly competitive market than firms with relatively little international market experience. Nonetheless, in a highly saturated and competitive market, such

advantages do not last very long when compared to firms operating in less saturated and less competitive markets, where it is expected that such advantages will last very long. Secondly, the intensity of innovation is another important factor that needs to be considered before examining internationalization performance. For instance, investment in research and development (R&D) should normally lead to new product and service developments or may lead to new technology products which may lead to sustainable competitive advantage for the firm. For example, Filatotchev & Piesse, (2009) found that R&D intensity leads to continuous innovation and has a positive influence on sales growth and firm performance of the organization. Prior studies document that R&D intensity (as a proxy for a firm's innovation intensity) is positively associated with sales growth (e.g., Filatotchev & Piesse, 2009) and firm performance (Xiao, Jeong, Moon, Chung & Chung, 2013).

Organizations that operate in an intensely innovative industry stand to benefit more from internationalization initiatives than organizations that operate in a low innovative industry. Firms operating in an industry with a high degree of innovation intensity might benefit from internationalization more than firms operating in an industry with a low degree of innovation intensity. This means that the intensity of innovation in an industry might impact how internationalization affects firm performance. The degree of complexities relating to doing or expanding to international markets increases the chances of failure owing to firm-specific factors (e.g. lack of experience and poor management skills) and country-specific factors (e.g. changes in policies of business regulation or economic recession). Thus, the benefits of internationalization on firm performance can be seen as both positive and negative and this depends on managers' perspective of factors such as firm resources and capabilities, management political experience, uncertainty surrounding the host market and many other factors.

2.4 Nonmarket Strategy

Nonmarket strategy can be defined as a firm's combined efforts to enhance success in the international market by managing the political and institutional forces/risks that affect a firm's competitive advantage in a foreign context (Mellahi et al., 2016). The effective management of NMS strategies increases the chances of success by advancing firm legitimacy, building trust, and establishing connections with relevant NMS actors (Rajwani & Leidong, 2015; Saeed & Riaz, 2021). The effectiveness of

these strategies also impacts market strategies as supported by numerous strands of literature on CPA and CSR relationship in the international market (Hillman et al., 2004; Du et al., 2019)

It is also important to state that the market and nonmarket environments are different in several ways. First, the market environment involves mainly suppliers, customers, and competitors, while the nonmarket environment consists of actors such as social, regulatory, and political environments, which directly and indirectly affect the success of an organization. In the market environment, firms are constantly competing for resources, revenues, and profits while the nonmarket environment looked at a broader impact such as the ethical behavior of firms, stakeholder's interest, favourable policy achievement, and corporate social responsibility among others (Doh, Lawton & Rajwani, 2012; Mbalyohere, 2016; John & Lawton, 2017). Firms compete in the nonmarket environment primarily for their private interest which is either within their industry or across other industries while also paying keen attention to political and social collaborations. The problem that most organizations face when considering internationalization is not how to control the market environment in their favour but how to favourably influence the nonmarket actors in host countries (Rodgers, Stokes, Tarba & Khan, 2019; Lawton et al., 2020). This has made many firms especially MNEs engage in both legal and illegal activities (campaign contributions, direct lobbying, government membership on company boards, voluntary agreements, political action committees, and sometimes bribery) to influence the nonmarket actors (Lawton, McGuire & Rajwani, 2012; Shirodkar, Konara & McGuire, 2017; Mbalyohere & Lawton, 2018).

Furthermore, the corporate political activities (CPA) point of view has developed as an eminent research outline for clarifying firm aggressive competitiveness in the political fields, especially during the firm internationalization process (Hollensen, 2014; De-Villa, et al., 2019). Many firms are engaged in political exercises in ventures such as oil and gas, air transport, information technology, tobacco, and pharmaceuticals. These organizations have been influencing government decisions using various mediums such as; commitments to government political crusades, coordinating political campaigns, government enrollment on organization boards of committees, intentional agreements, political action committees (PACs), and sometimes even resorting to bribery (Mbalyohere & Lawton, 2018). Regardless of the criticism leveled at the methods adopted by organizations considering internationalization to influence

nonmarket decision-makers, global success has, however, become the driving force for many of these organizations without minding the ethical standards and implications to corporate image (Lawton, McGuire & Rajwani, 2012; Mbalyohere, 2016). Foreign business success is very pertinent for an organization during the internationalization process and thus it might go to any length to ensure that success is achieved in the foreign markets.

Managers' views concerning NMS are very important. First, NMS can be viewed positively; it can foster an effective relationship with stakeholders and contribute to the societal value system (CSR perspective) (Iyer & Jarvis, 2019). It can also be viewed negatively because it can promote corruption from lobbying and engaging with politicians which often leads to cronyism (Wickert, 2016; Morsing & Roepstorff, 2015; Funk & Hirschman, 2017; Vazquez-Maguirre & Hartmann, 2013). These notions brought about different conceptual arguments in the literature about the relationship between MS and NMS. For instance, should an organization see NMS as a complementary effort with market strategy? Or should MS-NMS be integrated into a single business strategy to generate sustainable high performance?. Proponents of this view often emphasize stakeholder interest as a key determinant of organizational success and competitive advantage in the international market (Choi & Wang, 2009; Harrison & Wicks, 2013). However, empirical support shows that NMS practices have a significant impact on firm performance by helping firms to achieve their social objectives (Singer, 2013). Whereas some scholars opine that firms that have weak internal capabilities use NMS to enhance performance in the market (Parnell, 2015; Zhang, Parnell & Xiong, 2020).

Recent academic literature on nonmarket strategy has suggested quite a number of interesting research gaps in the field (Mellahi et al., 2016; Frynas, Child & Tarba, 2017; John & Lawton, 2018). However, this study will focus on how firms can successfully manage international nonmarket risks (i.e. social, political, and regulatory risks) (Morten, 2014; Mellahi et al., 2016; Frynas et al., 2017; John & Lawton, 2017, 2018; Lawton, Dorobantu, Rajwani & Sun, 2020) through strategic deployment of firm dynamic capabilities in ways that would favourably influence policies to the advantage of the firm in the host market and this is seen as the major gap that this study will espouse to knowledge.

Interestingly, the impact of political risks/events on firm performance in the international market can be perceived differently from organization to organization,

industry to industry, and even from project to project within an organization (Moran, 1983; Frynas & Mellahi, 2003). This means that the perceived effect of nonmarket risks and exposure (as well as benefits) in the international market varies differently at the industry level, firm level, and project levels, depending on firm resources and dynamic capabilities. The international business literature has long established the role of the firm as an active social actor that can influence the political and business environment to its advantage. This shows that engaging nonmarket actors for favourable policy/business arrangements is no longer new in international business and corporate political activities literature. However, the strategic positioning of a firm's dynamic capabilities to sense, seize, and reconfigure internal capabilities to capture opportunities and influence policies to the advantage of an organization within a host government nonmarket structure remains elusive in NMS research.

2.4.1 Firm Size

NMS scholars argue that the size of a firm plays an essential role in the behaviour and engagement approach of a firm's nonmarket strategy (Hillman et al., 2004; Lux, Crook & Woehr, 2011). For instance, MNEs with large resources and strategic assets have more to lose in the foreign market due to unwanted changes than small and medium sized firms, and that is why they engage with politicians and regulators in the foreign market. Consequently, large organizations stand a chance to benefit or lose more due to changes in legislation, standards, and regulations (Lawton & Rajwani, 2011). MNEs are more interdependent on relevant nonmarket stakeholders and regulators in the foreign market due to the advantage of slack resources (Mahon, Heugens, & Lamertz, 2004; John & Lawton, 2017). These organizations are motivated to build long-term relational advantages with stakeholders which leads to trust and enhances the firm reputation. Furthermore, MNEs enjoy greater visibility than small and medium-size firms in the host markets. This visibility makes the firm vulnerable to the power of nonmarket actors such as the media, regulators, social and political actors (Getz, 1997). Thus, the larger the size of the firm, the more it is likely to attract the attention of the public (Meznar & Nigh, 1995; John & Lawton, 2017). Another important factor shaping nonmarket behaviour is the dependencies of firm resources and this is quite different from the internal resources owned by the firm. Where firm resources are greatly dependent on an external source, this may likely pressure the organization to aggressively engage with nonmarket actors to build a long-lasting relationship that

serves the organization's interests. Shirodkar and Mohr (2015), found that external resource dependence has a significant positive relationship with the nonmarket strategy adopted in the international market. This means that large organizations have more resources to deploy, and more employees to disperse and therefore would very much continue to engage with nonmarket stakeholders to build a long-term relationship.

2.4.2 Firm Age

Firm age and management experience are other important factors influencing the nonmarket behaviour of firms in the international market. Scholars argue that firms that have existed in a market/country for a long term have greater opportunities and access to credible nonmarket information (policy changes) and resources than new firms (John & Lawton, 2017). Thus, the longer the organization age in a market environment, the higher the nonmarket experience it will accumulate over time (Lamberg et al., 2004; Hillman, 2003). The age of the firm, therefore, implies higher chances that the firm would succeed in nonmarket environments. We, therefore, argue that the older the firm, the higher the chances of nonmarket strategies adoption which translate to effective management experience. This notion can be conceptually traced to the work of (Lamberg et al., 2004) and empirically supported by others (Lamberg et al., 2004; Schuler & Rehbein, 1997).

2.4.3 Management Political Experience

In what refers to experience, Schuler and Rehbein (1997) found that previous political and nonmarket strategy experiences have a significant positive influence on the capacity and readiness of a firm to become politically-involved in the host market. Management experience here is used in connection with the age of an organization and as opined by management scholars that an organization and its resources are passive materials and it is the human capital/resources that actively engage these passive resources to create and maintain a competitive advantage for an organization (Barney, 1991; Teece et al., 2016). Furthermore, heterogeneous nonmarket experience provides greater opportunities and advantages for an organization in new markets than homogenous experience (Battisti & Deakins, 2017). This is because heterogeneous nonmarket dealings enhance the capacity, willingness, and experience of an organization to take on new markets and nonmarket environments (stable and unstable). Thus, age confers experience to an organization and provide

opportunities to build relationship and trust (social capital) because of repeated dealings with host country nonmarket stakeholders (Mellahi et al., 2016). This is, however, not the case for a new organization in a foreign market.

2.5 The Engagement and Non-engagement Approaches of Nonmarket Strategies

Literature on nonmarket strategy divides NMS approaches for managers considering internationalization into two types namely: engage and or non-engage. These approaches have been given different terminologies in NMS literature. For instance, Akbar and Kisilowski (2020) refer to them as bargain or non-bargaining, Blumentritt and Nigh (2002) and Zheng, Singh and Mitchell (2015) called them bridging and buffering while Oliver and Holzinger (2008) refer to them as compliance and or influence strategy but for this research, we will refer to them as engaged and non-engaged approaches. Interestingly, the aggregated notion of NMS scholars to select between these two approaches are dependent on the dynamic capabilities of the firm and the stability/uncertainty surrounding the host country's business environment and regulatory structures (Mellahi et al., 2016).

2.5.1 The Engagement Approach

The engagement approach allows firm executives to be able to, directly and indirectly, engage with the host country's powerful political and societal actors to drive important policies that serve the interests of the organization in creating and protecting its values and strategic competence in the host country. The engagement approach covers a broad array of CPA practices/strategies ranging from lobbying, campaign-contributions, government membership on the company board, dialog with media/activist/NGOs groups, litigation and or arbitration as well as bribery/corruption (Oliver & Holzinger, 2008; Akbar & Kisilowski, 2020; John & Lawton, 2017).

The engagement approach has become significant in the nonmarket international business literature, and as Yoffie (1987) observed, firms that adopt a free-rider strategy and refuse to engage with the host country's political and regulatory structure find it very difficult to achieve success in the international market. Recent findings suggest that CPA actions are increasingly significant for firm internationalization performance (Getz, 1997; Hillman, Keim & Schuler, 2004; John & Lawton, 2008; Akbar & Kisilowski, 2020). Hence, the complexity of the host country's business and

regulatory environment, the anti-globalization sentiments, and the advocacy for firm naturalization make the engagement approach (CPA) with powerful politicians and relevant societal and environmental actors serve as an edge for organizations to drive policies that are important for both-short and long-term business operations (Mellahi *et al*., 2016; Dorobantu *et al.,* 2017).

Similarly, the engagement approach allows a firm to be able to use a proactive and or defensive political strategy to either create or maintain its value proposition for the international markets. Empirical findings have shown that CPA behaviour identifies numerous factors at the industry and firm levels as the reasons for firms engaging with politicians and relevant social and environmental actors (Getz, 1997; Hillman et al., 2004; Shaffer 1995). For instance, the material interests (resources), size increase (expansion), revenue maintenance, and issues pertinent to the existence of an organization are said to be the purpose of firm's engagement with politicians and regulators at the firm level. Boies (1989), later corroborated by Mellahi et al (2016), demonstrated that the differences in material interests of organizations significantly impact their level of political affiliation. The size of the firm has also been shown to determine the level of political affiliation and this is why large organizations (MNEs) engage more with politicians and societal actors because of the advantage of slack resources (Meznar & Nigh, 1995; Yoffie, 1987; John & Lawton, 2017). Nonetheless, at the industry levels of analysis, firms that engage in NMS practices are said to be part of industries affected by macroeconomic policies and other decisions of the host government (Epstein, 1969; John & Lawton, 2017). This means that the level of political policy restrictions on an industry determines the levels of engagement with host country nonmarket actors. Industry concentration is another major determinant of political actions by the organization. The more concentrated an industry is, the higher the likelihood that it will engage more in political actions, especially in relatively highly uncertain market contexts and vice versa (Munger, 1988; Lawton & Rajwani, 2011). To support this view, Schuler, Rehbein and Cramer (2002) found that firms in concentrated industries tend to engage more in lobbying and campaign-contributions than those in fragmented industries.

Thus, firms use proactive and or defensive political strategies as a way of engaging politicians and regulators to create or maintain their value proposition for the international markets. This perspective takes precedence from the resource-based view (RBV) of the firm which suggests that organizations that can develop and deploy

the VRIN (valuable, rare, inimitable, and non-substitutable) advantage will enjoy a sustainable competitive advantage (Barney, 1991, 2001; Moran & Ghoshal, 1999; Teece, et al., 2016). According to the RBV, an organization will always seek to create and or maintain its current value to achieve a competitive advantage (Anand & Khanna, 2000, Makadok, 2001; Priem & Butler, 2001). The value here can be defined as economic rents arising from an internal resource configuration that seeks to exploit opportunities and or alleviate threats from the business environment (Barney, 1991). In the international business literature, value-seeking is an essential competitive motivation for firms, because it determines the consistent engagement with politicians and relentless search for finding new and the best ways to create and maintain value, fend-off competitors, and provide unique services in a volatile business environment (Moran & Ghoshal, 1999; Teece et al., 2016). In other words, value creation and maintenance are the primary motivation for firms engaging with the host country's political stakeholders.

2.5.1.1 Proactive Strategy

The engagement approach in NMS literature has two essential strategies, proactive and defensive strategies, both of which highlight how organizations can use NMS practices to either create or maintain value in the international market. *A proactive strategy* can be defined as a political strategy that aims to redefine, reconfigure, or reposition how public policies especially those that affect business operations, should be developed, perceived, and accepted by stakeholders (customers, shareholders, media agencies, etc.). While a defensive strategy refers to an organizational strategy aimed at thwarting government policies that may prove problematic for the continuity of organizational business operations in the host country. According to the institutional theory of the firm, power flows naturally to an organization that can reconfigure and reshape the fundamental values, norms, and beliefs of the industry, society, and or constituents in which it operates (Di-Maggio & Powell, 1993; Scott, 2001). This means that an organization can serve as a primary source of cognitive and or normative formation by initiating practices that competitors imitate or by engaging media agencies, professional organizations, and constituency-building to reconfigure and redefine the legitimacy underlying institutional rules and practices (Di-Maggio & Powell, 1993; Akbar & Kisilowski, 2020).

Consequently, asserting and influencing institutional underlying values and practices affirm firms' social legitimacy. As suggested by Suchman (1995), legitimacy allows firms to manipulate the business environment and provide an explanation as to why the redefined social realities should be accepted as the new normal. A growing body of research has explained the advantages of social legitimacy to an organization because it gives them the capacity to influence nonmarket stakeholders, and regulators and gain access to relevant information and political resources (Aldrich & Fiol, 1994; Suddaby, Bitektine & Haack, 2017; Akbar & Kisilowski, 2020). In view of this, legitimacy can be seen as a collective subjective perception of stakeholders (customers, shareholders, suppliers, media agencies, etc.) over the operations and existence of an organization. For instance, Yoffie and Kwak (2001) describe how Intel aggressively used its political-institutional influence to mitigate the threats of antitrust scrutiny that may affect its business operation. This shows the importance and the capacity of an organization to be able to influence or persuade institutional policies that its practices and standards should be adopted as the optimum standards and expectations from competitors.

Several examples of multinationals following this proactive approach have been identified. In the late 1990s, British Petroleum (BP) adroitly used a proactive political strategy to aggressively influence policymakers by making them believe and accept what should constitute the standard for environmental pollution. This move and strategy of BP redefined and reshaped the primary industry rule for environmental pollution and practices and gave BP an edge over its competitors by raising operational rival costs (McWilliams et al., 2002). Similarly, Dawkins (2002) describe General Electric (GE) as one of the most successful and influential multinational organization because of its ability to harness political connections to lobby government officials into giving it subsidies/tax holidays and influence other issues affecting the organization. Also, according to Opensecrets, (2018) out of 169 foreign firms that are actively lobbying government policies in the USA, South Korea remains the highest-spending country since 2016. In the year 2018 alone, Alibaba Group spent the sum of $2.7m on lobbying government policies and is still ranked fourth only behind three large US corporate firms in the internet-industry. Hence, an organization can either use a relational or transactional proactive approach to NMS practices depending on the issue at hand (Hillman & Hitt, 1999; Kranenburg & Voinea, 2017). Relational strategies are defined on a long-term basis because they aim at establishing a

relationship with relevant stakeholders while transactional strategies are temporary and initiated to solve specific issues pertinent to firms. Thus, a firm can either use a relational or transactional strategy to lobby decision-makers toward influencing policies that will reconfigure and redefine the fundamental norms and values of a society or an industry.

For instance, a firm might use its political relational connection with host country legislators to restrict the use of particular resources by competitors in other to enhance their value. This way, the anticipation of an enhanced resource value proposition motivates the engagement of firms to take political actions to protect the value of their resources in the market. The purpose of political engagement may also be to increase value. As an example, between 1999 and 2006, Lockheed Martin spent $55 million to lobby government officials in the USA having subsequently been awarded defense contracts valued at around $90 billion (Miller, 2006). Also, Microsoft Company in an effort to protect its market advantage in computer-software in the USA acted aggressively in lobbying government officials. In a similar vein, in the 1980s, Harley-Davidson lobbied the US government to implement trade protection to protect and maintain its value proposition and dominance in the motorcycle market (Fortune, 1989). Hence, a firm may engage in political strategies (proactive or defensive strategies) to create or maintain its value proposition in the international markets.

Conversely, a firm's ability to reconfigure and redefine an institutional underlying values and practices shows the extent and the strength of its dynamic capabilities because the fundamental principle of dynamic capabilities (the weakness of RBV) is its ability to sense, seize and reconfigure firm resources to capture identified opportunities in the dynamic business environment (Eisenhardt & Martin, 2000; Teece et al., 2016). Managing and influencing the political and regulatory environment requires that a firm acquires and harnesses essential political resources and as Fainsod (1940) suggest that industry can enjoy favourable policies and regulation by its ability to assemble three essential type of resources namely: financial (campaign contributions, donation, etc) human (recruitment of lawyers and lobbyist) and political (building political connections). These resources are the essence of a firm's dynamic capabilities in volatile business environments because they enable a firm to harness resources to redefine and reconfigure the societal and industry norms and values through its proactive political management strategy which often leads to competitive advantage.

2.5.1.2 Defensive Strategy

A defensive strategy is a political management strategy primarily aimed at thwarting unwanted government policies that may affect the business operation and protecting what the organization views as acceptable standards of operation. For example, the British Tobacco Company increased its litigation fight with the Republic of Ireland over the restrictions on tobacco consumption (smoking) because it is unconstitutional and literarilly against EU law (Marketing Week, 2004; Oliver & Holzinger, 2008). Thus, when an organization perceives policy change as a potential threat to its sustained competitive advantage, it may move aggressively to influence policy makers to protect and defend the future value of its strategic-asset (Boddewyn, 2003; Oliver & Holzinger, 2008; Teece et al., 2016). The effectiveness of this strategy lies in the extent of the firm's network capabilities and the ability to use its relational political strategy to influence decision-makers to protect the firm's competencies and thwart unwanted policies that may affect the strategic future value of a firm's assets. The display of the firm's dynamic capabilities here is not to reconfigure or redefine the societal or industry norms and values but to harness its relational political capabilities to protect the organization's interests.

Furthermore, the theory of social ties and network capabilities provides compelling evidence on the importance of this type of ties/relationship with government officials as an important source of critical resource advantage and social capital (Gulati & Gargiulo, 1999; Koka & Prescort, 2002). Political social ties are advantages that a firm benefits from by directly and or indirectly maintaining a cordial relationship with policymakers to lobby and protect the firm's interests. Consequently, a defensive political strategy can be used to advocate entry restrictions for substitute products, lobby policymakers to maintain current policies that serve the interests of the firm, advocate stricter entry standards in the industry, and aggressively lobby to maintain current pricing structures (Oliver & Holzinger, 2008). Thus, the effectiveness of firm social capital/ties can be seen by how a firm can maintain or create a trust-relational advantage with policymakers to protect the strategic-assets and sustained competitive position in the international market.

2.5.2 The Non-engagement Approach

The non-engaged approach on the other hand involves a decision by the management of an organization not to get involved with the host country's political and regulatory structures during internationalization. Scholars in the field of nonmarket strategy posit that the decision not to get involved (free-riders) with host country nonmarket stakeholders is dependent on several indicators and leaves the firm to adopt a reactive and anticipative behavioural strategy in the host market (Kranenburg & Voinea, 2017; Harris & Brown, 2021). Some of these indicators include the frequency of change in regulation and policies in the host market, the strength of firm dynamic/network capabilities, the cost implication of engagement, firm size/structure, and management experience (Hillman, 2003). Although, a growing body of scholars believe that firms that use an engagement approach are trying to complement inefficient internal capabilities while a firm that uses the non-engaged approach has a strong internal capability to effectively react to changing policies in the international market (Mellahi, et al., 2016; John & Lawton, 2017). The non-engagement approach is divided into two types of strategies that can be used by organizations to respond or react to policy changes in the host market especially when an organization has decided not to engage with the host government stakeholders; reactive and anticipative strategies.

2.5.2.1 Reactive Strategies

Reactive strategies – the dynamic capabilities perspective proposes that a firm whose major strategic plan in a foreign market is not to get involved with the host government's political structure must have efficient and effective internal dynamic capabilities capable of scanning, realigning, and reconfiguring firm resources to meet the demand of host government regulators and stakeholders (Teece et al., 2016). The cost of compliance for a firm using a reactive strategy will be very low when such a firm builds and continually equips its internal dynamic capabilities to be flexible, technologically updated, and effectively trained to accommodate and react to changing environmental policies. Additionally, the complexity and dynamism of nonmarket environments provide the theoretical foundation for the importance of dynamic capabilities in the host countries as they enable a firm to immediately readjust and reconfigure resources to capture opportunities based on changes in the political and regulatory environment. An organization that can immediately readjust and innovatively reconfigure resources to meet the changing environmental policies, for

instance, may not only be the one to dictate standards on environmental responsiveness to competitors but may end up creating entry barriers to future competition if the cost of capability imitation is very high (Battisti & Deakins, 2017). Also, firm dynamic capabilities may be directly linked to internationalization performance (Zheng et al., 2015; Lawton & Rajwani; 2011) and competitive advantage (McWilliams et al., 2002).

Non-engagement approaches are compliance-oriented and mostly encompass reactive strategies to compete favourably in the market. The non-engaged approach uses internal capabilities (firm dynamic capabilities) to achieve optimum fit with the host country's nonmarket structure. The effectiveness of reactive strategies is dependent on the internal dynamic capabilities of the firm and can be measured by its ability to reconfigure and realign its structural and operational know-how to meet the changing regulatory requirements and effectively ease the cost of compliance on the organization (Baum & Wally, 2003; Zheng et al., 2015). The efficiency and accuracy of these reactive internal dynamic capability strategies could be due to timely investment in personnel training and acquisition. For example, Barclay was the first organization to design information technology capable of managing and retrieving compliance regulation data with Basel-2 and Sarbanes-Oxley, and this helped the bank to save more money (Nicolle, 2004). Furthermore, institutional theorists argue that organizations that can withstand the host market's political and institutional pressure using non-engaged or compliance strategies have a high chance to achieve legitimacy and social-support which may translate to effective firm performance and survival in the foreign market (Bansal & Roth, 2000; Deephouse, 1996; Suchman, 1995; Teece et al., 2016). The social support and legitimacy conferred on compliance or non-engagement-oriented firms may later benefit the firm through superior consumer approval and patronage of its product and services, easy access to important resources, and favourable disposition by decision makers to organization’s operation, which may prove beneficial for future transactions/relationships.

2.5.2.2 Anticipative Strategies

Anticipative strategies are another compliance-oriented/non-engaged approach which, unlike reactive strategies that depend more on internal capabilities processes, use both internal and external resources to enhance and advance external capabilities scanning to generate timely knowledge and information. Anticipative strategies are

used to anticipate host country political and regulatory policy changes by strategically repositioning and realigning resources to gain first mover's advantages and establish innovative operational processes through knowledge of changing future policies. Firm dynamic capabilities here are its ability and effectiveness in anticipating changes in regulatory and political policies that may affect the business operation and the capacity to implement and reconfigure resources before those changes are enacted. A growing body of research found a significant positive relationship between firm innovation, timeliness, depth of environmental scanning, and high organization-performance (Garg, Walters, & Priem, 2003; Akbar & Kisilowski, 2020). Similarly, Anderson and Bateman (2000) found that the incessant scanning of the environment is directly proportional to the continuous competitive advantage achieved over time.

Anticipative strategies require environmental scanning capabilities that can be operationalized in different ways by the organization, for instance, employee training on scanning and predictive knowledge acquisition, intermittent recruitment of ex-government officials with extensive knowledge of impending-policy changes, continuous refinement of management and operational systems to comply with industry standards, attendance at proactive industry conferences, and investment in technology acquisition to gain first movers advantages based on knowledge acquisition gathered from impending environmental policy scanning. Toshiba and Hitachi enjoyed a first-mover’s advantage by anticipating policy changes in the global battery industry and created an acid-free renewable battery. These moves resulted in the production of batteries that were more cost-effective and reduced the cost of compliance for the organization (Shrivastava, 1995). The advantage of anticipatory compliance is its long-term reputational effects among host country stakeholders. Thus, anticipating impending public policy changes may allow stakeholders (consumers, suppliers, competitors, and the general public) to perceive the organization as highly-receptive and a trendsetter.

2.5.3 Relational and Transactional Strategies

Relational and transactional strategies are two unique but distinct CPA practices adopted by MNEs to influence nonmarket stakeholders' policies to the advantage of a firm. Relational strategy focuses on building long-term effective relationships with nonmarket stakeholders for the purpose of influencing policies, while transactional strategy is mostly adopted by organizations as a form of quid pro quo strategy to fend

off an important policy affecting an organization's business. Transactional strategy does not necessarily involve financial transactions between the organization and the nonmarket stakeholders, as some or most of these arrangements might involve a community development project (CSR) undertaking by an organization that projects a good image for the incumbent political party (Adejare et al, 2023). The difference between relational and transactional strategies is that the first (relational strategy) is oriented towards the long-term and aimed towards establishing an effective relationship with nonmarket stakeholders, while the latter (transactional strategy) is issue-specific and hence temporarily adopted. A firm uses a transactional strategy when a nonmarket issue surfaces in the host market and the effect of such an issue threaten the operation and existence of the foreign firm. Thus, transactional strategies are used to initiate a short-term interaction with nonmarket actors on an issue-by-issue basis (Zheng et al., 2015). It is important to state that both the relational and transactional non-market strategies are elements of a proactive strategy used under the engaged approach and first refined by Hillman and Hitt (1999). They opine that because of the uncertainty surrounding the international business environment, one way through which organizations get by and conduct business successfully is by interacting with host actors, building effective long-term relationship networks, and actively participating in policy and regulation changes and implementation.

This relational strategy enables a firm to preview government actions that may impede the organization's business operations and take the necessary actions to curtail the effect of such policies. This relational strategy implies that the host government becomes embedded and too encroached in business governance activities as highlighted in the work of Nalick, Kuban, Ridge, Zardkoohi, Bierman & Schijven, (2023). However, this strategy seems to hold many advantages over its disadvantages, given the complexities of the host business environment, as it helps to minimize any surprises coming from the institutional and the nonmarket business environment. This strategy also fosters relational networks and social capital, which are regarded as valuable capital that any business can possess in the host environment (Holburn & Van den Bergh, 2004). We then argue that foreign firms following a non-engaged approach orientation can use the transactional approach to solve specific temporary and unanticipated nonmarket issues that are beyond the firms' internal capabilities.

2.6 Dynamic Capabilities

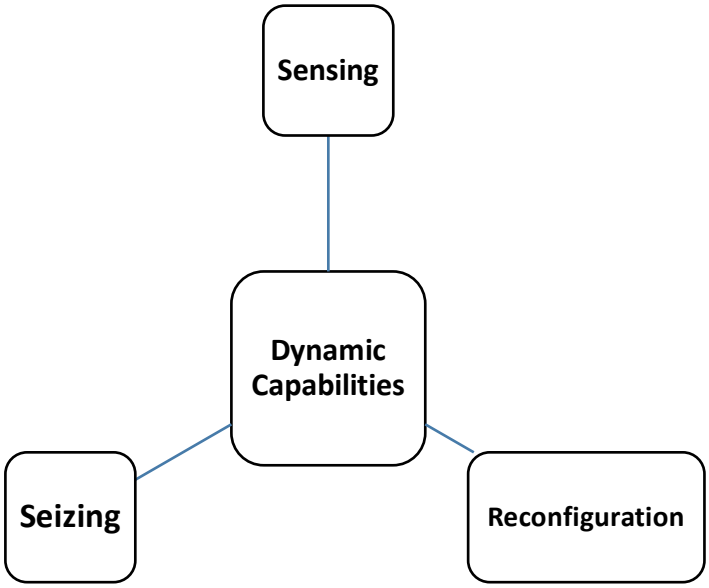
The dynamic capabilities perspective emerged as an extension of RBV to show how firms generate capability through effective integration-building-reconfiguration of firm resources to suit the ever-changing business environment of firms (Bitencourt, Santinia, Ladeira, Santos & Teixeira, 2020; Moreno, Cavazotte & Carvalho, 2020). Hence, organizations need to arrange their activities and constantly reconfigure their assets and capabilities to fit the ever-changing dynamism of the business environment. It additionally mirrors the firm's endeavors to make/shape the domestic or foreign market in ways that allow values to be created, explored, and captured for the organization (*see figure 2)*. This frequently requires expanding, changing, or, if important, totally patching up what the firm is currently doing to keep up a solid match with the firm's ecosystem and markets it operates (Helfat & Winter, 2011; Rodgers et al., 2019). Hence, dynamic capabilities were examined for this research from the focal lens of an organization's changing market mechanism for which competitive advantages are generated rather than an economic or formal extrapolated configuration. Resources are the essential tenets of the RBV ranging from physical resources (such as specialized technological equipment, geographic location of businesses, etc.), human resources (e.g., expertise in assembly plants), and organizational resources (superior knowledge and performance in sales and or technology).

These resources can be used to create superior, winning value-creating strategies for organizations. These resources include the ability to harness local competencies to achieve a firm's competitive advantage. Hence, organization resources are at the heart of firm value-creating strategies, which form the basis of organizational operations by addressing market and customer needs in unique ways thereby giving the firm a competitive advantage (Collis & Montgomery, 1995, 1998; Porter 1996; Prahalad & Hamel, 1990; Womack, Jones and Roos, 1991). Dynamic capabilities are organizations' strategic-routines through which managers adjust their resources, reconfigure and recombine them to produce new value-creating strategies based on the dynamism existing in the business environment. This means that dynamic capabilities depend on organization resources, they are influenced by the changing business environmental conditions, and they are not static in dimensions/mechanism but may use the same pattern in similar environmental circumstances. Teece (2007), distinguishes dynamic capabilities into three parts – sensing, seizing, and

reconfiguration, which Pavlou and El-Sawy's (2011) model modified and refer to as sensing, learning, integrating, and coordinating.

Figure 2.2

Model of Dynamic Capabilities



Source: Adapted from Surmeier, (2020), pp. 1498–1518

Sensing: sensing here refers to the firm ability to spot, screen, and explore opportunities internally and or externally for expansion objectives or maintaining a competitive position. This process entails some levels of market intelligence and extensive R&D investment to ascertain the authenticity of what was sensed from the market (Pavlou & El Sawy, 2011; Teece, 2007; Soluk & Kammerlander 2021). Empirical findings show that market and management intelligence is essential for sensing capacity to be effectively and efficiently utilized to generate new market knowledge that may lead to innovative products and services (Soluk & Kammerlander 2021; Foerstl, Kähkönen, Blome & Goellner, 2020). Extending these findings and based on scholars' critique (Chang, 2019) and gaps identified in literature, this study argue that sensing should be analyzed through these capabilities dimensions of firms which include management skills and political experience, marketing, technology/innovation, operational and financial capabilities. The aim here would be to harness holistically the management competence and experience to screen and relate past and present knowledge of the market across the strategic capabilities

dimensions of the company to determine its viability and alignment with the company's short, medium, and long-term objectives.

Seizing: seizing on the other hand refers to the ability of the firm to explore and grasp the opportunities identified in the business environment, make changes and innovatively capture customer value during this process (Teece, 2007; Eriksson, 2014). This process involves learning and preparing firm resources to explore opportunities identified in the market (Eriksson, 2014). However, the opportunities or threats identified determine the type of resource capability that will be needed (Wilden, Gudergan, Nielsen, & Lings, 2013) which mostly results in investment in new product and services development. However, scholars have argued that a rigid organizational structure may hinder the seizing of opportunities or preparing for threats in the business environment (Felin & Powell, 2016). Nonetheless, firms need to have a clear-cut direction as to who is responsible for identifying opportunities due to the huge investment decision involved which may make obsolete old or current capabilities (Teece, 2007; Eriksson, 2014).

Reconfiguration: reconfiguration refers to the continuous refinement and transformation of the firm's capability to explore or maintain a firm's competitive advantage (Teece, 2007). This implies that success in the business environment entails continuous capability reconfiguration to ensure sustainable growth and development (Glyptis, Hadjielias, Christofi, Kvasova & Vrontis, 2021; Gaudenzi, Mola & Rossignoli, 2021). In the same vein, reconfiguration of firm capabilities can be perceived as managing threats and or redefining the firm's business-model to suit the current market reality (Katkalo, Pitelis, & Teece, 2010; Teece, Peteraf & Leih, 2016).

2.6.1 Evolution of Dynamic Capabilities

Dynamic capabilities (DCs) can be regarded as complicated routines or customs whose emergence is embedded in the path-dependence processes of an organization (Nelson & Winter, 1973; Teece et al., 1997; Zollo & Winter, 1999; Surmeier, 2020). Path dependence processes stem uniquely from the encoded inferences that emanate from organization histories and find their way into distinctive routines. Path dependence is better described as a learning pattern or configuration which have been extensively researched in the psychological literature (Argote, 1999). These learning patterns or configurations enhance our understanding and guide the evolution of dynamic capabilities. For instance, recurrent practices are an essential learning

pattern and or configuration that enhance the development and evolution of dynamic capabilities. The effectiveness and efficiency of these learning practices and experiences have been empirically demonstrated in DCs literature. For example, Zollo and Singh's (1998) work on bank acquisition demonstrated the importance of recurrent patterns/practices and routines. The authors found that numerous acquisition experiences and integration-related processes were determinants of higher performance. Also, homogenous acquisition experiences (market-related) were essentially useful to acquire tacit and unequivocal knowledge on how to implement and execute more acquisition practices.

Repeating or recurrent practices in themselves can essentially contribute to the evolution of dynamic capabilities. In contrast, the codification of repeating practices and experiences into technology and formal organization routines and patterns makes the whole experience easier to adopt and repeat in similar circumstances (Argote, 1999; Zander & Kogut, 1995; Teece, 2012). Furthermore, mistakes play an essential role in the evolution of dynamic capabilities. Research has shown that small losses enhance learning faster than success while major failure creates a defense that serves as a barrier to learning (Sitkin, 1992; Nieves & Haller, 2014). This means that success in the organization, probably due to new product launching, alliance creation, mergers, and acquisitions, among others, often fails to grab managers' attention, such that they can learn from their mistakes. Small failures motivate managers to effectively evaluate the process that led to the small failure and learn from it but major failures create a defense that impedes learning. The impact of mistakes was empirically supported in the work of Hayward (2000) who investigate 241 acquisitions done in 120 U.S. organizations in six different industries and found that small mistakes led to effective and superior acquisition skills acquired by these managers. Also, Eisenhardt and Sull (2001) narrate how Yahoo managers came up with one of their rules for an alliancing strategy which was essentially said to be through mistake. Yahoo managers had practically formed a strategic alliance or relationship with a formidable player in the credit card industry. They soon discover that these alliances restrict operational flexibility with their retailers and therefore opted to terminate this relationship at a greater cost. This mistake brought about the 'no exclusive deals' law operated by Yahoo to date.

Dynamic capabilities' evolution can also be impacted by managers' pacing of experiences. Experiences that are gathered in haste or that come too fast may

become problematic such that managers find it difficult to transform these experiences into significant knowledge and learnings. Likewise, inconsistent or infrequent experiences may lead to managers forgetting previous accumulated experiences thereby leading to little or no knowledge accumulation (Argote. 1999; Barros, Hernang´omez & Martin-Cruz, 2016). For example, Hayward (1998) study established that timing has a significant U-shaped influence on the superior acquisition skills demonstrated by organizations. Hence, when there are too many acquisitions done too often, it affects manager's ability to transform knowledge/lessons into experiences from such acquisitions. Managers need time to transform and consolidate experiences into learning/knowledge. Similarly, too few acquisitions spaced within an inordinate amount of time give no opportunities to managers to practice their skills/knowledge/learning. While acquisitions done within a reasonable amount of time inspire the evolution of dynamic capabilities and this is also dependent on the stability of market dynamism.

Finally, the method with which dynamic capabilities are implemented and executed is important to firms. This means that dynamic capabilities mostly consist of simple organizational practices and interconnected routines in which some may precede the others and which have to be learned in order of sequence. This concept is referred to by Brown and Eisenhardt (1997) as 'sequenced phases', the authors studied numerous product development processes in six organizations in the tech industry, and they found that numerous product development needs three simple dynamic capabilities to scale through distinct product development, analyzing future demands/wants and connecting routines/practices from one product development to another. Thus, managers who are successful at developing numerous product development through effective dynamic capabilities achieve such strides by following the sequencing order/steps. Multiple product development success through dynamic capabilities always starts with a single product development knowledge and experience and manager can transform learning from a single product success story to several product opportunities without neglecting the importance of timing on the effectiveness of these product development knowledge/learning (Battisti & Deakins, 2017; Garri, Spicer, Pereira, Temouri, Malik & Tarba, 2020). Therefore, effective and efficient implementation of dynamic capabilities requires managers to be aware of both the ingredients (e.g. capabilities commonalities) and the method (e,g, the sequence of implementation).

2.6.2 Contextual Dynamic Capabilities Processes

Dynamic capabilities are generally seen as dependent on the organization's path-process, which often takes its route from firm histories (Teece et al., 1997; Teece, 2012). This means that dynamic capabilities are eccentric processes embedded in an organization's history and the way it conducts its business. Scholars argue that dynamic capabilities, regardless of how idiosyncratically embedded in organization processes, may portray common features that are prevalent across firms and or industries (Teece, 2012; Teece et al., 2016). These similarities may arise because every organization have more effective ways of handling organizational, personal, and technical issues they face using the capabilities at their disposal. This implies that there are better and less effective ways of executing dynamic capabilities in situations such as; merger and acquisition, strategic firm positioning, knowledge-brokering, and alliancing among others which are popularly known in the management literature as “best practices”. Using a practical example, an organization's product development process requires cross-functional departmental expertise participation to achieve a successful product launch.

This departmental expertise is very unique because each expertise contributes distinctively to every aspect of product development ranging from product quality, production processes, packaging, and branding. Empirical findings from the work of Imai, Ikujiro and Takeuchi (1985) support this assertion, the authors found that cross-functional team expertise enhances the product development process as the teams' information was used to cut some overlap that could have occurred during manufacturing, marketing and the design stage of the production process. Thus, bringing together cross-functional expertise in a product development process not only helps to avoid losses and create a competitive advantage for an organization but also enhances innovation through the experiences of these experts. This is because different people (cross-functional expertise) know and have different information and experiences from similar or heterogeneous situations and putting this information/experiences and knowledge together in a brainstorming session can foster product innovation (Battisti & Deakins, 2017).

Hence, dynamic capabilities commonalities exist across firms and or industries because organizations face similar personal, technical, and operational challenges which require assembling capabilities (firm resources) to brainstorm a solution for the organization. Interestingly, the commonalities in firm dynamic capabilities do not mean

that it is the same thing across organizations or industries. As an example, the knowledge creation process is an essential dynamic capabilities process, especially in high-tech organizations. The commonalities here for successful knowledge creation would be the internal and external need for sourcing information/knowledge. Where the internal sources can refer to the focal initiating firms while the external sources refer to the external information bank where an individual can reference their knowledge. Empirical findings show that knowledge-creation processes that have external connections through alliance creation led to a unique and superior R&D performance for a biotech organization (Powell, Koput, Smith-Doerr, 1996; Eisenhardt & Martin, 2000; Teece, 2012). Therefore, external connections are essential tools for effective knowledge creation because those external connections can stem from creating or forming formal alliances, and or maintaining interpersonal relationships with important stakeholders.

These common features in the dynamic capabilities path process have some essential implications for organizations. The first is that it infers equifinality. This means that managers may develop an effective dynamic capability through organizational processes such as strategic positioning, new product development, knowledge creation, and alliance creation among others, and probably start this capability development from a unique starting-position and take different paths (Eisenhardt & Martin, 2000). However, since these managers end up with common attributes in their capability development, then this implies that there are various paths (equifinality) that may lead to the same capabilities development. Secondly, the common characteristics in dynamic capabilities development imply that these routines can be substituted and are fungible when applied to numerous contexts than the resource-based view (RBV) theory proposes. Using the above example to address the issue of substitutability, the knowledge creation process implies that dynamic capabilities development can be different in formation and details as long as the unique commonalities are there for organizations. While, commonalities in fungibility mean that the efficacy of firm dynamic capabilities is present, noticeable, and uniquely differentiated across different industries.

Thirdly, commonalities also mean that dynamic capabilities in themselves may not be a source of sustained competitive advantage as advanced by the logic of RBV theory (Eisenhardt & Martin, 2000; Teece, 2012). This is because RBV theory proposes that sustained competitive advantage arises when firm capabilities are perceived as

valuable, rare, inimitable (immobile), and non-substitutable (VRIN). Hence, they can be perceived as rare or, at the minimum, not possessed equally by all competitors, as evident in several empirical studies. Nonetheless, sustainability does not hold much ground for the last two conditions. Equifinality concepts render useless the inimitability or immobility principle to sustained competitive advantage because organizations can acquire the same capabilities from numerous path-process without any help from other organizations. Hence, whether firms/managers can imitate competitors' path processes is particularly irrelevant because managers can discover these capabilities themselves by following their unique path process. Firm dynamic capabilities can be substituted since they only need to be similar in features for them to become effective and although they can be unique and different in details and formulation. This means that dynamic capabilities can be a source of a firm competitive advantage but might necessarily not be a sustained advantage.

2.7 Methodological Dimensions of Research in Nonmarket Strategy

This section aims to highlight the previous methodology and findings of researchers on similar subject matter to determine the gap and uniqueness of this research to IB and nonmarket literature. Research methodology refers to the practical ways of conducting and generating results based on research objectives and hypotheses. Hence, the methodological dimensions for this section summarize findings of previous scholars on similar constructs as a way of laying the foundation of what the study aims to unravel.

As an example, in the work done by Gimmon, Teng and He (2021), they examine the multilayered political embeddedness and their interactions effect on the performance of private enterprises in China. The study uses secondary data (quantitative Method) from four non-panel waves (2002, 2008, 2010, and 2016) of large and similar samples from the Chinese private enterprises' survey and the study found that regardless of the layers or level of embeddedness, there is a consistent impact on firm performance over time and this aligns with the Chinese Guanxi approach. Also, Kranenbuurg and Voinea (2017) examine proactive nonmarket strategies in foreign firms and explore the underlying role of firm resources in this relationship. The study uses a postal survey (quantitative methods) conducted among managing directors of MNEs in the Netherlands. Then to improve the data analysis and survey, 17 in-depth interviews (qualitative method) were conducted among firm managers to determine the feasibility

and validity of the item scale and findings revealed that a firm that is enjoying host country support tends to use relational nonmarket strategy while a firm that enjoys little or no support from host country based on prior experience tend to use a transactional nonmarket strategy.

Rudy and Johnson (2013) examine how declining performance below the objective threshold drives organizations to urgently search for market and nonmarket strategic actions to enhance firm performance. The study selected large publicly held MNEs organizations ranked by the 1980 Fortune 100 and data observation for these organizations spanned from 1979 through to 2006 (quantitative Method) and the study found that when organizations face performance decline below aspiration level, they tend to swing into strategic nonmarket actions to enhance firm performance.

Wei, Hu, Li, and Peng (2015) examine competitive interaction dynamics using competitive dynamics theory to examine how market and nonmarket forces can impact the connection between firm action, rival response, integration strategy, and the performance of the initiator. The study used data collected from 72 Chinese firms' websites over 5 years (quantitative methods) to test its hypotheses and then used structured content analysis (Qualitative Method) to formally code the secondary data news derived from the Chinese website. The study found that rival response and speed vary depending on NMS action initiated that directly affects firm operation and performance. However, strategy integration shows a strong significant relationship between competitive action and initiating firm-performance.

Additionally, MNEs coming from emerging markets opt for acquiring firms from a developed market in other to upgrade and effectively enhanced their strategic capabilities in a developed market. In a study done by Liou, Brown and Hasija (2021) which examines political animosity in cross-border acquisition, the author shows how EMNCs can explore market and nonmarket strategy in the developed market by collecting secondary data (quantitative methods) from Thomson SDC Platinum Database from 2005 to 2011. The study found that when EMNCs organizations observe a strong political animosity between home and host country, the organization tends to acquire less ownership from a developed market and increase lobbying activities to reduce their stake. Also, because of the issue of legitimacy concern in a developed market, cross-listed EMNCs organizations have a higher chance to increase and improve their legitimacy than non-cross listed EMNCs.

The work done by Georgallis, Albino-Pimentel, and Kondratenko (2020) examines industry support policies and their impact on foreign location choices for MNEs foreign direct investment. The author argues that MNEs invest in countries with favourable industry support policies and this trend varies across firms and markets. The study used existing data from Greenfield investment in the solar energy industry from the EU countries from 2004 to 2013 (Quantitative Methods). This data was easily accessed because of the similarity in EU countries' policies to promote the solar energy industry through the “Feed-in Tariff” (FiT). Findings show that firms view supporting policies differently based on their nonmarket investment experience and that supportive policies attract foreign direct investment into the solar energy industry in the European Union countries. Lupton, Behnam and Jimenez (2020), examine the impact of locating a firm primary industry in a politically unstable business environment and its impact on the survival of firms. The authors argue that MNEs operating in less stable political environments have the opportunity to influence policies that help impact their operating costs in primary industries and avoid complying with stringent policies in their home countries. The study uses 753 primary sector investments of Japanese firms through data regularly updated on Toyo Keizan’s overseas investment data set to interview (Qualitative Methods) the general managers of these Japanese firms. The findings of this study show that political instability has a slight relative curvilinear relationship with firm subsidiary survival, high and low stability are related to lower exit barriers for firms while moderate stability is associated with higher exit barriers for firms.

Furthermore, Schnyder and Sallai (2020) examine institutional-upheaval in home and host countries and the relative role of subsidiary political capabilities impacting this relationship separately or together. The authors argue that a firm subsidiary needs to develop political capabilities (CPA) that not only address the needs of the parent company but also fit the needs of the host country's requirements. Data were collected for this study through In-depth interviews (Qualitative Methods) with business leaders, and documentary analysis of reports and news (quantitative methods) was used, covering 7 years. The study findings show that MNEs can successfully transfer political capabilities from home countries to effectively develop CPA practices in volatile business and host markets. On dynamic capabilities, Surmeier (2020) examines sustainability standards and their contribution to capacity building and social upgrading in the tourism sector within firm-level business activities. The author argues that

sustainability standards and their implementation have been well researched, but lacking in the literature are the process-based perspectives. The study aims to integrate the dynamic capabilities into the global value chains of the tourism business activities and used a longitudinal mixed-method research design covering eight years. The findings show the importance of dynamic capabilities in enhancing the tourism sector capability building and upgrading the firm-level business activities in South Africa.

Lastly, Lawton and Rajwani (2011) investigate how managers design lobbying capabilities in an unpredictable business environment either through investment in human capital, relationship building, and or structural-modification. The study used an inductive case study method and collected data through In-depth, semi-structured interviews (Qualitative Method) and documented Archival data (Quantitative Methods), the study found that lobbying capabilities designed for a private organization are quite different from the design for state-owned enterprises due to the different ownership structure and the institutional interplay processes. Nalick, et al., (2022) investigate how CEO ideological divergence affects how they design lobbying capabilities and the relative impact on organization performance. The study collected governance data from 1998 to 2018 from institutional shareholder services (ISS) that cover the S&P 1500 and boardEx (quantitative methods) and the results show that CEO political ideology affects how organizations design lobbying capabilities which impact the outcome of an organization. Also, firms in a highly regulated industry may be less impacted by the CEO ideology and the way they design lobbying capabilities. Riaz, Saeed, Liedong and Rajwani (2021) examine how an organization uses the environmental management standards called the ISO 14001 to curtail the effect of firm operations on the natural environment and although these standards are widely accepted and regulated across firms and industries on moral and ethical grounds, the financial performance and competitiveness implication remain under-researched. The study collected data from publicly listed firms in China, India, and Pakistan through their largest stock exchanges (quantitative method) (Mumbai Stock Exchange in India, Shanghai Stock Exchange in China, and Pakistan Stock Exchange in Pakistan) for the year 2012. The study found a negative impact of ISO 14001 certification on firm profitability and market value for both the short and long-term periods. Also, the negative impact appears to become stronger in countries with weaker environmental regulations and institutions.

2.8 Conclusion

This section reviews relevant literature on firm internationalization ranging from entry approaches to International markets, nonmarket strategies adopted by MNEs in foreign countries, firm dynamic capabilities, and evolution of firm dynamic capabilities and among others. The literature reviewed is essential to answer the research questions posed for this study and test the stated hypotheses.

CHAPTER THREE
METHODOLOGY

3.1 Introduction

Research methodology can be defined as the process of adopting a particular research method by following the identified principles and theories to provide findings to a study's research questions and hypotheses (Walter, 2006). Research methodology emerges from the philosophical approach of a research study and it is linked to the research paradigm and theoretical underpinning of a study (Mohajan, 2018). The last chapter of this study provided background understanding by reviewing extant literature on international business and entry choices for MNEs, Internationalization performance, business environment uncertainty, the theoretical underpinning, nonmarket strategies, firm resources, and dynamic capabilities leading to the proposed research model and questions. This chapter aims to describe the qualitative method used to collect data by discussing the methodological dimensions, research paradigm, research design, data collection, questionnaire design, data analysis method, and finally ethical considerations for both the qualitative empirical study.

3.2 Research Questions

The following research questions are the cornerstone of the interview questions and responses:

Research Question 1: How does managers' perceived uncertainty, in particular perceived political uncertainty, influence the engagement approaches adopted to interact with nonmarket stakeholders in foreign markets?

Research Question 1a: How do firm capabilities enhance managers' engagement decisions and firm internationalization performance?

Research Question 1b: How do managers' anticipative capabilities enhance the engagement approaches adopted and firm internationalization performance in foreign markets?

Research Question 1c: How do firm size and management political experience influence the relationship between managers' perceived political uncertainty and firm internationalization performance?

Research Question 1d: How does a manager's perceived political uncertainty influence the use of relational or transactional strategies in a foreign market?

3.3 Research Paradigm

All research studies have an underpinning research principle, philosophical assumptions, or paradigm that is best aligned with the phenomenon that a researcher is trying to unravel and the researcher's profile. The understanding of this research paradigm leads to selecting the right research design and approaches necessary for conducting a successful research study. However, some important indicators need to be considered before selecting a research paradigm such as; the research topic, the nature of the questions (exploratory/descriptive), and finally, the structure of the research objectives imposed by a particular research approach or design on a researcher (Saunders, Lewis, Thornhill & Wilson, 2009). Considering the underpinning philosophical paradigm of every research is very important as it helps to determine the appropriate research methods. In the words of Saunders, Lewis, and Thornhill (2003), the philosophy of research reveals how a researcher thinks or goes about creating and developing knowledge, and this is conveyed in the way we conduct research studies. Kuhn (1962) states that the research paradigm encapsulates all the assumptions of a research study, research methods, research findings, and the methodologies used in a study, which can be divided into three: ontology, epistemology, and methodological assumptions. Ontology typically refers to 'reality' (Hudson & Ozanne, 1988), epistemology addresses the 'knowledge' between the reality in question and researchers' understanding while methodology is the technique used to examine the reality.

The traditional approach of the research paradigm involves four methods which are positivist, interpretive/constructivism, realism, and critical theory (Sobh & Perry, 2006; Pham, 2018). The positivist paradigm portrays the researcher as being realistic/objective and disconnected from the subjects of research. The positivist paradigm can be seen as an opinion under which knowledge is statistically formulated from a population for statistical analysis, through which knowledge can be easily

derived from the reality on the ground (Sobh & Perry, 2006). In this regard, researchers' knowledge is acquired through the help of scientific methods hence, the reality is mostly captured through the use of research instruments which can take the form of questionnaires or experiments. The positivist paradigm seeks to provide an explanation regarding the reality on the ground thereby aiming to control and predict the knowledge derived from statistical analysis. However, this assumption can be seen as one of the main criticisms of the positivist paradigm as it assumes that subjects can be regarded as inactive or passive entities in a social exchange thereby reducing the importance of consumer marketing exchange (Cooper & Emory, 1991; Runyon & Stewart, 1987). In essence, the assumption relating to this philosophy is that consumers are important objects and the positivist approach believes that consumer experiences should be regarded and statistically analyzed the different parts of these experiences regardless of the numerous parts as shown in most cognitive and behavioral descriptions of consumers (Osborne, Costello & Kellow, 2008). This philosophy is mostly used for quantitative research design in social sciences.

The interpretive/constructivist perspective sees the social world as being culturally unoriginal and historically positioned. The interpretive perspectives can be traced to the work of Burger (1977), who opines that research from the social sciences domain is mostly concerned with how to understand reality. However, interpretive researchers aim to better understand consumer behaviour with no intention of influencing consumer experiences and processes. The interpretive researcher is against the belief that human behaviour or the subject's experiences can be statistically coded to understand and predict a generalized market interaction. This type of researcher endeavors to gain an in-depth understanding of the issues at hand and grab the complex context of the phenomenon for deeper understanding rather than summarizing a unit of the subjects' experiences for the whole population (Creswell, 2009). The belief is that the way we view the world is a result of our preconceived mindset or perception. Hence, this paradigm believes that since human beings cannot be separated from the world they live in, then they cannot be seen as a neutral observer in the research process as postulated by the positivist perspectives.

The interpretive perspective believes that the researcher is faced with a world that has already been interpreted, hence, the work of the researcher is to display the meaning already created instead of developing universal principles (Walliman, 2017). Hence, respondents preconceived notions, beliefs, and ideas about the phenomenon at hand

are the major purpose of the interpretive paradigm. This would explain why many participants will have different opinions about a phenomenon presented to them (Saunders et al., 2009). Qualitative research is generally ascribed to an interpretive approach which is mostly prevalent in social sciences research. This research approach confirms the interaction between the researchers and their respondents, such that the researchers can influence the outcomes of the study (Guba & Lincoln, 1994).

On the other hand, critical realism and critical theory have differing views on notions and understanding of reality. For instance, critical realism sees the real and observable worlds as having a unique and differing view of reality. The critical realist considers the real world as unobservable and exists regardless of human perception and experience (Easton, 2010). Thus, unobservable structure causes observable events to unfold in real-world settings, and human beings will only be able to comprehend the social world when they begin to understand the structure that generates these observable events. Critical theory examines the influence of power within social groups or societies and often sees power dynamics result in inequalities and control based on numerous factors such as gender, race, class, and other social groupings (Pulitano, 2013). The goal of critical theory is social transformation, which can be achieved through equitable social structures that promote justice, emancipation, and social change among social groups.

The positivist and interpretivist/constructivist paradigms differ with regard to their perspectives and results, which are based on differing views of objectives for consumer research. Consumer experience can be researched through various analytical techniques, depending on the objectives of the study, ranging from standardized surveys, experimental approaches, and personality tests (Mostyn, 1985). The criticism of each of these approaches leads scholars to simultaneously combine more than one paradigm and method (quantitative and qualitative) in the form of a mixed methods research approach without neglecting any important strength/weaknesses thereby providing reliable and comprehensive research findings. For instance, Saunders et al. (2000) and Creswell (2009) opine that despite the many differences that exist between the positivist and the interpretive paradigms, social and business science researchers hardly conduct research using a single philosophy. Hence, scholars from the management research fields mostly prefer a mixture of these paradigms (mixed methodology) for an effective and efficient understanding of the

phenomenon under study. Thus, research methodologies can be quantitative, qualitative, and or mixed-method approaches (Creswell, 2009). Hence, this research will follow an interpretivist/constructivist approach with the aim of understanding and unravelling respondents' experience and reality within the context of their organization activities and engagement with nonmarket stakeholders in Nigeria.

3.4 Research Design

There are several definitions of research design with no single definition capable of upholding the significance and importance of the concept in a research. Research design can be seen as the general strategy that a researcher adopts to unravel the phenomenon at hand. Research design can also be defined as the overall blueprint of a research study detailing the procedure through which data collection and analysis was conducted (Aaker & Day, 1990). According to Creswell, Hanson, Plano and Morales, (2007), a research design is used to articulate the framework of a research problem, align the connections among variables, and strategize how the connections among variables will help unravel the phenomenon at hand. Following the work of Yin (1994), research design can be divided into three types namely: exploratory, explanatory, and descriptive research design. Exploratory research generally aims to advance new concepts or ideas for future researchers. Researchers aim to unravel the issues at hand by asking questions and getting answers from a different perspective. This kind of technique is used when researchers do not have adequate information about the issues at hand or no previous similar empirical facts exist anywhere to corroborate the researcher's perspective. In this case, the researcher may undertake an extensive interview to get adequate information and understanding of the phenomenon at hand.

Explanatory research seeks to use already existing empirical findings to corroborate or expand perspectives through new variables or gaps in a study. The overall aim of explanatory research is to develop a specific theory that can be used practically to explain the broad overview of the study. Descriptive research design, on the other hand, aims to describe the features of a population or phenomenon at hand (Zikmund, 2000). The objectives of descriptive research are to provide researchers with background features or related trends of interest for possible grouping and similarity tabulations of the issues at hand. This research technique allows data gathering of the phenomenon at hand, coding, analysis/tabulation, and thereafter describing the data

collection process. (Glass & Hopkins, 1984). This type of research technique is most common in quantitative research methods. Hence, this study uses an exploratory research design as it allows the researcher to probe respondents through interviews for an effective and efficient understanding of the phenomenon surrounding nonmarket strategies and their relationship with elements of the firm's dynamic capabilities examined in this study.

3.5 Data Collection Method

There are two types of data collection methods: primary and secondary data collection. For this research, primary data was information gathered from the semi-structured interview questions across the selected multinational companies (MNEs) with primary or subsidiary presence in Nigeria. While secondary data were information and data from selected multinational companies' databases regarding regulatory and official international statistics for foreign firms.

The goal of the qualitative research study is to empirically examine nonmarket strategies data from public relations officers, top managers, and CEOs of multinational organizations through interviews, as they serve to represent the organizations in all matters relating to nonmarket strategies in the host country. The research focuses on how these employees adopt the engagement approaches of nonmarket strategies to influence host country corporate political activities and policies in the host market. Hence, a descriptive and exploratory analysis was used to gather relevant qualitative data from these respondents (Cramer, Van Der Heijden, & Jonker, 2006).

A semi-structured interview guide was designed following the guidelines of Malhotra, Peterson, and Kleiser (1999). The interview guide entails a set of open-ended semi-structured questions designed to elicit responses on nonmarket strategies, and firm dynamic capabilities were checked across relevant constructs inspired by the literature on nonmarket strategies. The objective was to understand how top managers and CEOs of MNEs organizations respond to nonmarket threats and opportunities in host countries through the engagement approaches of NMS, especially considering the volatile and uncertain business environment in Nigeria. The study is also interested in understanding the role that firm dynamic capabilities play in helping organizations to manage the nonmarket structure of host countries.

The qualitative analysis uses the narrative approach of qualitative research. The study is interested in the managers' perceived political uncertainty in the international

market, which causes managers to engage with the host market's nonmarket structure for favourable business policies. Hence, an interview was conducted with the selected companies' management staff (public relations officers, export managers, directors, compliance managers, Heads of department, etc.) bearing in mind the role of firm resources and dynamic capabilities while setting the interview questions (Easterby-Smith, Thorpe & Jackson, 2015). This helps provide answers to the research questions stated for a comprehensive solution and understanding of how firms can manage international nonmarket risk through firm resources and dynamic capabilities. The justification for using the interview method is that it is deemed appropriate given the need to ask respondents "how" and 'why" questions, as well as allowing new issues to emerge naturally from interview sessions. Given the model's complexity and the study structure, the content analysis was used to structure and program the answers from the interviews conducted across the selected organizations. The interview data were subjected to content analysis for a better understanding of the constructs used to design the interview questions and guide. The interview data collection reached its theoretical saturation (Saunders, Sim, Kingstone, Baker, Waterfield, Bartlam, Burroughs, & Jinks, 2018) after a total of nineteen interviews were conducted, and this is the point where no new information is emerging from the field survey. Thus, a codification of the concepts and themes was developed, and as recommended by Kassarijan (1977) and recently affirmed by Lombard, Snyder-Dutch, and Bracken (2002), the intercoder-reliability of the constructs was assured through comments and corrections from the PhD supervisor.

3.5.1 Interview Guide Development

The interview is an essential method of gathering and collecting qualitative empirical data. The interview guide and questions were broad and were inspired by the literature on nonmarket strategies and firm dynamic capabilities. The interview questions were particularly focused on public relations officers in MNEs corporations in Nigeria. The justification for this is that these employees in the public relations department are responsible for the management of the organization's activities vis-à-vis the host government's political and economic policies, and they work to ensure that both the organization's activities and host government policies are in tandem for effective and efficient business operations. The interview guide was pretested with three public relations officers and top managers of these MNEs corporations in Nigeria to better

understand if the interview guide and questions are in order and to provide adjustments wherever possible**.** The interview guide and questions were not very strict as it adopted a semi-structured interview guide to allow the researcher and respondents to be spontaneous in asking and answering questions. The semi-structured interview guide was divided into sub-topics below see *table 3.1*:

Table 3.1

Interview Guide

No	**Interview Guide**	**Research Questions**
1.	Firm size and structure	**Research Question 4:** To what extent does firm size and management political experience influence the relationship between managers' perceived political uncertainty and firm internationalization performance?
2	Management Political experience	
3.	Political Uncertainty	**Research Question 1:** How does managers' perceived political uncertainty influence the engagement approaches adopted to interact with nonmarket stakeholders in foreign markets? **Research Question 3:** What is the impact of managers' anticipative capabilities on the engagement approaches adopted and firm internationalization performance in foreign markets?
4.	Nonmarket strategies	
	-Engage approaches	
	-Anticipative strategies	
5.	Firm capabilities	**Research Question 2:** To what extent does firm capabilities enhance managers' engagement decision and firm internationalization performance?
6.	Internationalization performance	**Research Question 5:** How does a manager's perceived political uncertainty influence the use of relational or transactional strategies in a foreign market?
7.	Relational and Transactional strategies	

Source: elaborated by the author

The interview questions were designed to explore how firms manage nonmarket strategies using firm dynamic capabilities. The constructs listed above majorly addressed the research's main constructs, and during the interview, the interviewees were encouraged to go as deep as they could in answering any questions thrown at them from the sub-topic above. Nigeria is an English-speaking country, hence, the interview questions were designed in English.

3.6 The Study Context (Nigeria)

The African continent is regarded as the next frontier for international business and global capitalism given its increasing attraction to foreign direct investment in the past decades (Adomako, Frimpong, Muhammad, Opoku & Husain, 2021). In 2019, IMF regarded five African economies as the fastest-growing economies in the world even though the major part of the continent has a very low technological know-how for business for both practitioners and researchers (Mitchell, 2019). The African continent is blessed with huge business opportunities. For instance, the surface of China, Europe, and the United States combined is less than Africa's land area. The African continent has above one thousand languages with great diversity in income levels, infrastructural development, educational qualification, technological business know-how, and natural resources-endowment (McKinsey Quarterly, 2018). The 54 countries in the continent have a combined population of 1.2 billion. However, multinational corporations seeking to expand business operations to African countries are therefore faced with the continent's bewildering scale, political complexity, and infrastructural inadequacy. However, some of these challenges faced by businesses in Africa are different from country to country as African countries are home to many multinational corporations such as; Vodafone, General Electric, Volkswagen, Standard Bank Group, Jumia, Coca-Cola, 7up, and a host of others.

The Nigerian economy is a promising emerging market economy that was described by Goldman Sachs and has been among the eleven most favorable FDI countries that have the potential to become the economic powerhouse of the 21st century. The country's economy is well positioned in the African and global market because it demonstrates diversity across several sectors ranging from oil and gas, manufacturing, agriculture, transportation, and telecommunication among others. The Nigerian economy is projected to be among the 20 largest economies by the year 2050 and is regarded as the largest economy in Africa overtaking South Africa (Ajayi, Salawu & Mac-Ebong, 2017). Amidst these opportunities and mouthwatering

projections for the market stand some unfavorable risks that foreign investors tend to face and some of these risks were traced to consistent leadership failure in the country over the years. In the past few years, the country has been regarded as an unfavourable economy for foreign investors to do business owing to problems ranging from political risk, changing government policy on FDI, inadequate infrastructural development, corruption, ferocious attacks on foreign investments, kidnapping, insurgency among others (Danjuma, 2021).

Some of these highlighted risks affect investors' decisions and interests in the Nigerian market negatively. The country ranking on the World Bank ease of doing business database is not encouraging and some of the highlighted risks above were factors considered for this ranking. Specifically, the World Bank's ease of doing business database ranked Nigeria 169 over 190 countries in 2017, 145 in 2018, 146 in 2019, and 131 in 2020. Within these years, investors have had to make a tough and practical decision by moving their investments to a more viable relatively stable emerging market business environment such as Turkey, Ghana, South Africa, and Indonesia among others which are above $1 billion from the Nigerian equity market (Ajayi *et al*., *2017*). To curb political risk, for instance, MNEs in sectors such as oil and gas, power, and infrastructure among others are now acquiring political risk insurance without minding the cost. These insurances protect organizations from unwanted and unfair policy changes that may impact business operations, business disruption, and financial/investment losses.

Similarly, in recent years the African continent particularly Nigeria has attracted some multinational corporation CEOs as they seek to expand business operations and benefits from the extensive opportunities in the African market. Considering the challenges and bewildering success for businesses in the African markets, some of these multinational CEOs are already engaging and establishing a relationship with government officials in their respective African countries of business interest.

For instance, Jack Ma of Alibaba, Jack Dorsey of Twitter, Zuckerberg of Facebook, Bill Gate of Microsoft, and Sundar Pichai of Alphabets among others have recently visited African countries, especially Nigeria, and met with government officials to discuss possible business expansion and ways in which they can support the government in achieving their political agenda vis-a-vis job creation, economic development, quality education, and infrastructural development. Looking at the current state of uncertainties surrounding business operations around the world,

especially in African markets, we might then argue that an engaged approach with nonmarket actors gives some level of hope to business continuity compared to a non-engage approach (Hollensen, 2014; Mbalyohere, 2016). The attraction of the African markets to multinational CEOs could be due to the UN World Population Prospects which estimated that the African continent is going to be the most populated continent by 2050 (Kazeem, 2017). This estimation placed the onus on these CEOs to expand their business interest to Africa, especially Nigeria, and therefore establish a relevant nonmarket connection with host government officials by creating a win-win relationship thereby positioning their resources in ways that would give hope of survival and sustainable competitive advantage to firms operations (Adegoke, 2019). Hence, the study focuses on the presence of MNE corporations operating in the Nigerian market either as a primary (headquarter) operating unit or have its subsidiary holdings in Nigeria. This means that organizations whose operations started from the Nigerian market and expanded operation to other countries and those whose operation started from other countries and expanded into the Nigerian market was captured in the analysis. Top managers from these MNEs organizations in Nigeria were selected for the interview and the justification for focusing on top managers from these organization is due to the intricacies of the topic of the study.

3.6.1 Sampling

MNEs corporations that started operations from Nigeria and those that expanded operations to the Nigerian market, were selected in this study. Top managers from these organizations were selected for this interview. The study focuses on MNEs firms and their strategy for operating in the Nigerian market, and attention was mainly focused on public relations officers, directors, compliance managers, export managers and or top managers of these firms, and this is due to the intricacies and technicalities of the study constructs, which can only be understood by these employees in the selected organizations.

Hence, purposive sampling was adopted in this study. Purposive sampling is a non-probability sampling technique that allows researchers to select respondents based on predetermined characteristics of the study. Therefore, purposive sampling is a judgmental sampling technique e.g., interviewing only the public relations managers, heads of various departments, directors, compliance managers, and or export managers of MNEs corporations operating in Nigeria. This set of respondents is the

major participants and players in matters relating to the organization's nonmarket strategies in the host or subsidiary market, and they would be able to provide in-depth information during the interview sessions to unravel the relationship between nonmarket strategies, firm dynamic capabilities, and constructs of each of these variables.

3.6.2 Interviews

A total of fourteen MNE organizations were selected in Nigeria. The interviews started in August of 2024 and lasted till February of 2025. However, the interviews transcript, coding, and analysis, started in the last quarter of 2024 and lasted till April of 2025. Access to data from the selected MNEs firms would require an official letter of permission and notification for access to conduct interviews and this was readily provided by the thesis supervisor. A pilot study of five participants was conducted before the final selection of the interview participants to ascertain the reliability and validity of the study instruments, and this led to a few corrections on the interview guide and questions after discussion with the PhD supervisor. To allow easy access and convenience for each of the study participants, an online method of data collection was adopted using Zoom. This involves an informal engagement via phone or WhatsApp chat that was focused on introducing the research and what is expected from all interviewees, and to schedule a convenient time and day based on the respondents' availability when the interview will be held.

Table 3.2

Description of Employees Profile

Firm	Interviewees Position	Nationality	Years of Experience	Industry
A	Director	Nigeria	16	Telecommunication Infrastructure
B	Marketing Manager	Nigeria	5	Telecommunication Service

C	Financial Manager	Nigeria	23	Telecommunication Service
D	Associate Director	Nigeria	10	Professional Services
E	Compliance Manager Commerce Stream	Nigeria	7	Brewing Company
F	Supply Development Manager	Nigeria	14	Oil and Gas
G	Financial Manager	Nigeria	14	Oil and Gas
H	Associate Director	Nigeria	17	Professional Services
I	Learning and Development Manager	Nigeria	9	Professional Services
J	Technology and Risk Manager	Nigeria	6	Professional Services
K	Chief Operating Officer	Nigeria	12	Oil and Gas
L	Risk and Control Manager	Nigeria	20	Professional Services
M	Financial Planning and Analysis Manager	Nigeria	6	Fintech
N	Production and Inventory Manager	Nigeria	5	Brewing Company
O	Public Relation Manager	Nigeria	8	Consumer Goods
P	Chief Operating Officer	Nigeria	7	Consumer Goods
Q	Financial Manager	Nigeria	16	Oil and Gas
R	Compliance Manager	Nigeria	17	Oil and Gas

S	Export Manager	Nigeria	12	Oil and Gas

Source: elaborated by the author.

All the interviews were recorded to allow easy access for transcribing the data for analysis, and consent and the respondent's anonymity were provided before every interview to provide openness and the willingness of the interviewee to grant an audience. Each interview lasted for a minimum of thirty minutes and a maximum of one hour, and this is also dependent on the interviewee's response and how motivated they are to respond to the interview questions. We expect to have reached a semantic or theoretical saturation before and or after conducting ten to twenty interviews. This is the point where no new information is provided again by the interviewee, as most or all have at one point or another been covered by the previous interviewee (Gummesson, 2000). The interview covered industries such as manufacturing, banking, hospitality, telecommunication firms, service industry, etc, and a minimum of one participant was selected from each industry with no restriction on the number that could be interviewed per industry, and this was also dependent on the availability of employees per industry and or organizations, *see table 3.2 and table 4.1*

All the interviewees are Nigerian, and they all have significant years of work experience in management roles that they hold, with the least years of work experience based on Table 3.2 being five years, while the highest is twenty-three years. Also, *table 4.1* describes the firm profile by showing the headquarters of the firm, the industry in which the firm operates, the global presence in other countries, the number of years operating in the Nigerian market, and the total number of employees for the Nigerian market.

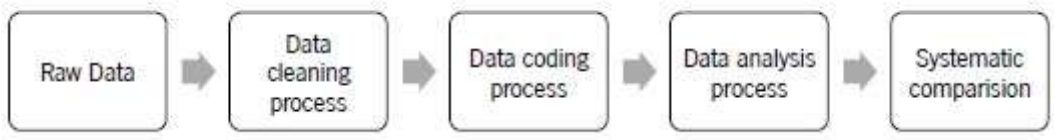
3.7 Data Analysis

The recorded interviews were transcribed to gather all the themes and content provided during the interview. The transcribed interviews were then subjected to a second reading to capture the main ideas vis-à-vis the subject of the study. This allows the main ideas of the study to be captured and organized according to the constructs of the research questions and interview guidelines. Content analysis was used to structure and analyze the answers from the interviews that was conducted across the selected MNEs organizations and the Nvivo 15 software was adopted for the analysis. Content analysis can be defined as a research tool that is used to systematically provide meanings and evaluate all forms of recorded conversations or

communications to analyze certain words and themes vis-à-vis the constructs of the study. This conversation can include (images, words, roles, themes, etc.) and can be used to proffer meaning and relationship to certain constructs in a study. Nonetheless, the identification of the theme and its arrangement are usually subject to the author or researcher's interpretation (Lombard et al., 2002). These categories or constructs allowed for stressing themes such as corporate political activities, lobbying activities, nonmarket strategy, engagement and non-engagement approaches, dynamic capabilities etc. According to Maon et al. (2017), coding and analysis of the data process usually start from the raw data captured through interviews, written notes during interviews, and any other secondary data or documents obtained from the firm (e.g. website and annual reports) *see figure 3.1*. The next phase is the data cleaning process which allows the researcher to capture the relevant themes and concepts from the interview conducted. This step is usually followed by the coding phase, which allows the interview data to be transcribed and coded into relevant and irrelevant themes. The next phase is the data analysis phase followed by the systematic comparison.

Figure 3.1

Data Coding and Analysis Process



Source: As elaborated by the Author

3.8 Ethical Considerations

Ethical considerations are an essential part of the research process as they highlight the importance of following due process at every level of the research phase ranging from the data collection stages, analyses, and the reporting of the findings of the study. It is important to uphold the rights of our interviewees/respondents and their organization. To every organization where interviews was conducted, official permission was requested from each of these organizations through the appropriate channel. The respondents for this research were top management staff with over 5 years of working experience in this organization including the head of the public relations department of this organization. These respondents were properly informed about the nature and purpose of this study which will help prepare them for the interview that was conducted. The researcher asked for permission to record and take notes during the interview session while assuring anonymity throughout the interview session.

The interview questions were made available 48 hours before the interview was conducted, and this is to allow the respondents to prepare for the interview and clarify any doubts they may have regarding the interview questions. The privacy of the respondents was made confidential as names and any other personal information were omitted during the recorded interviews, and those who requested to know the final findings of this research were asked to provide their email. Our interview respondents consist of CEOs, managing directors, public relations managers, or export directors. The justification for this is that these sets of people or respondents possess the necessary information needed to unravel the conundrum behind nonmarket actors' engagement and firm dynamic capabilities in the host country of business interest. Each interview was recorded and transcribed, and in addition to the content of this interview, relevant secondary data from some of the selected MNE organizations were used to corroborate the findings.

3.9 Summary

This section presents an empirical study on qualitative methods and features that were essential for carrying out the study and collecting data to answer the research questions. The interview guide and questions, which represent the main instrument for collecting data for this empirical study, were also highlighted. The method of collecting data and the data analysis method were also stressed to provide clarity and

remove any ambiguity that may arise during the data collection and analysis stage. It is important to state that this is a new approach to analyzing nonmarket strategies and firm dynamic capabilities, hence, the uniqueness of the study to international business literature. The next phase after the methodology description is the data analysis phase, interpretation, and presentation of results

CHAPTER FOUR
FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the results from the interviews conducted with top managers of multinational organizations (MNEs) operating in Nigeria. The interview discussion is centered around these managers' perceived opinions about how their organization has remained relevant and stayed abreast of internal and external forces prevalent in the Nigerian market. In the first phase of the interview, the sample or demographic profile of respondents and their respective organizations was presented to give insight and background information about the multinational organization's presence in the Nigerian market, years of operations, respondents' years of experience, industry, and the global presence of the organizations. The second phase focuses on critical evaluation and analysis of the answers to discuss key aspects of the interview questions. This leads to answering the research questions posed for this study. The findings of this study are presented and organized following a content analysis structure and are guided by previous literature reviews on nonmarket strategies and firm internationalization. Understanding how multinational organizations operating in the Nigerian market manage the nonmarket forces, survive, and keep relevance through firm dynamic capabilities is key to a deeper understanding of how firms engage nonmarket stakeholders and deploy capabilities in emerging and volatile markets such as Nigeria.

The Nigerian market is considered one of the most volatile business environments in Africa, and that is because of numerous factors ranging from business and regulatory policy uncertainty to lack of adequate infrastructure; this is why Nigeria is ranked 131 on Ease of Doing Business Rankings. A high ease of doing business shows that the regulatory and business environment is very conducive to starting and operating an organization and vice-versa. This ranking looks at factors such as the ease of registering a business, getting a permit and license to operate, infrastructural availability (electricity, road networks, etc), getting credit, and enforcing contracts, among others. It becomes very essential to understand how managers of these MNEs in Nigeria engage nonmarket stakeholders and influence policies while maintaining the global code of business ethics. In light of this, the study seeks to understand

managers' perceived political uncertainty and the engagement approaches adopted, how firm capabilities influence this engagement, and how firms anticipate policy changes. Additionally, the interview questions and discussion seek to understand the role that firm size and management team political experience have on firm internationalization in the Nigerian market and, lastly, how managers perceive and utilize relational and transactional strategies.

4.2 Sample Profile

The profile of respondents and their corresponding organizations selected for the interview was significant for the study because it required respondents to work in selected managerial roles, work in multinational corporations, and have significant years of work experience to be able to contribute to the subject of the study (*Table 4.1*). The organization's website was also used to gather relevant and corroborative information that depicts the mode of the organization's business engagement for the market and the respondent's work profile. The respondents were surveyed using a purposive sampling technique to select top managers, directors, public relations managers, export and import managers, and compliance managers, among other top management roles at these MNEs in the Nigerian market. A total of fifteen multinational organization profiles operating in the Nigerian market are presented next, with a minimum of one respondent and a maximum of two respondents selected from each of these organizations*, see Table 4.1 and Table 3.2*.

Table 4.1

Description of the Firm's Profile

Firm	**Headquarter**	**Industry**	**Global Presence**	**Years in Nigeria**	**Number of Employees in Nigeria**
A	Nigeria	Telecommunication Infrastructure	10	23	1700
B	South Africa	Telecommunication Service	19	23	2000
C	South Africa	Telecommunication Service	19	23	2000

D	Netherlands	Professional Services	145	46	1500
E	Netherlands	Brewing Company	190	77	4305
F	London	Oil and Gas	99	70	5000
G	London	Oil and Gas	99	70	5000
H	London	Professional Services	151	71	8500
I	London	Professional Services	151	71	8500
J	London	Professional Services	150	50	800
K	Nigeria	Oil and Gas	6	13	27
L	London	Professional Services	150	72	2800
M	UAE	Fintech	40	21	45
N	Nigeria	Brewing Company	13	78	2068
O	London	Consumer Goods	190	100	603
P	London	Consumer Goods	190	100	603
Q	US	Oil and Gas	60	50	2000
R	US	Oil and Gas	60	50	2000
S	US	Oil and Gas	180	60	2000

Source: elaborated by the author.

Interview A is the director of an infrastructural telecommunication organization that started operations in the Nigerian market in 2001. They have been in operation for twenty-four years in the Nigerian market. The interviewee is a Nigerian by birth and has sixteen years of work experience working in this role. Nigeria is Africa's largest mobile telecommunication market, and the firm manages over 16,000 sites or towers across the Nigerian market. The firm started operations in Nigeria through direct business registration and licensing. Since its inception, it has expanded its operation to ten other African countries and Latin America, and overall manages 39,000 towers

across these countries. The organization boasts a staff strength of over 1700 employees with an annual revenue of over $800 million for the Nigerian market alone. The firm is committed to providing innovative telephony towers across Nigeria, including rural communities.

Interviewees B & C are marketing and financial managers at a mobile telecommunications service company that started operations in Nigeria in 2001 and has its headquarters in Johannesburg, South Africa. The marketing and financial managers are Nigerians and have five years and twenty-three years of work experience in this role. The organization is the largest mobile telecommunication network provider globally and the largest in Africa. The firm entered the Nigerian market by directly registering the business and currently operates in nineteen African countries and the Middle East. The firm boosted its 37.9% market share and was listed on the Nigerian stock exchange on May 16th, 2019. The firm has over 2000 employees and over $516 million in annual revenue. The firm has survived many internal and external attacks in the Nigerian market and has learned from these experiences to improve its engagement approaches to nonmarket stakeholders in Nigeria, notably the xenophobic attack of 2008 that led to the looting and destruction of South African businesses in Nigeria.

Interview D is an associate director at one of the Big Four and largest professional service organizations and consulting firms. The director is a Nigerian and has ten years of working experience in this role. The business headquarters are in the Netherlands, and it began operations in the Nigerian market through direct business investment and registration. It has operated in the Nigerian market for 46 years. The organization's global presence cut across 145 countries with an annual revenue of $31.6 billion and a staff strength of over 1500. The core values of the company's international business operations are integrity, excellence, togetherness, courage, and, for the better, and this guides the day-to-day business engagement with clients and regulatory authorities in Nigeria.

Interview E is a compliance manager with seven years of work experience and is a Nigerian by birth. She works for an organization regarded as the world's largest international premium lager beer brand, which is available and recognized in every country. The business operation dates back to 1873. It is an alcoholic beverage product that is available in 190 countries. Its headquarters are in the Netherlands, but it is sold in Nigeria as one of the Nigerian Breweries PLC (NB) products. It came into

the Nigerian market through direct investment and has since acquired 55% of the Nigerian Breweries PLC shares, making firm **D** the new owner of the NB businesses. The company has over 4305 permanent and contract staff. The company has an internal corporate affairs commission, which it uses to internally and externally engage nonmarket stakeholders in the Nigerian market.

Interviewees F & G are supply development managers and a finance manager from one of the Nigerian market's largest fossil fuel development organizations (oil and gas), which operates over 6000 kilometers of pipelines and flowlines in Nigeria. They both have fourteen years of work experience in this role and are Nigerians. The organization entered the Nigerian market through direct investment and has been there for 70 years. It primarily manages Nigerian assets, ranging from pipelines and exploring Nigerian mineral resources to producing gas and fossil fuels. In January 2024, the organization sold its Nigerian onshore business to Renaissance, a combination of four energy groups in the business of exploration and production of fossil fuels and energy gas, among others. The organization is in 99 countries, and its headquarters are in London. It has over 5000 staff in the Nigerian market. Because of the kind of business they operate in, which requires managing government assets, they engage the nonmarket stakeholders through their corporate affairs commission and the association to which the firm belongs.

Interviewees H & I are associate director and learning and development manager working for one of Nigeria's largest Big Four tax and consulting firms. They both have seventeen and nine years of work experience, respectively, and are both Nigerians. The organization's headquarters are in London, and it began operations in the Nigerian market through a Merger and has operated in the Nigerian market for 71 years. The organization's global presence cut across 151 countries and a staff strength of over 8500. The firm's purpose of building trust and solving significant societal problems is reflected in the core values that strive to achieve and do what is right, care about the community and their clients, integrity, and reimagine the possible.

Interviewee J is a technology and risk manager at one of Nigeria's most prominent professional service organizations and is part of Nigeria's Big Four tax and consulting firms. He has six years of work experience in this role and is a Nigerian. The business headquarters are in London, and it began operations in the Nigerian market through franchising. It has operated in the Nigerian market for 50 years. The organization's global presence spans 150 countries and has a staff strength of over 800 employees,

with an annual revenue of 60 million dollars. The firm believes in building a better world.

Interviewee K is the chief operating officer of Nigeria's wholly owned energy, engineering, and construction company, which started operations in 2011. He is a Nigerian with twelve years of work experience in this role. The company operates in six African countries, with its headquarters in Nigeria. The company presently has over twenty-seven staff and entered the Nigerian market through direct business investment. The company delivers exceptional service through oil drilling and pipeline management for the Nigerian government and constantly engages nonmarket stakeholders in Nigeria.

Interviewee L is a risk and control manager at one of Nigeria's Big Four tax and consulting firms. He has twenty years of work experience in this role and is a Nigerian by birth. The organization has its headquarters in London, and it began operations in the Nigerian market through a merger. It has operated in the Nigerian market for the past 72 years. The organization's global presence spans 150 countries, and its staff strength is over 2800.

Interviewee M is a financial planning and analysis manager at one of Africa's largest fintech organizations that provides technology-enabled services to most financial institutions in Africa. He is a Nigerian with six years of work experience in this role. The company started operations in Africa in 2011 and has been one of the leading payment solutions platforms for most financial institutions in Nigeria. It currently has over forty-five staff and operates in forty countries. The company entered the Nigerian market by acquiring emerging markets internationally, and its headquarters are in the UAE.

Interviewee N is a production and inventory manager working at Africa's largest brewing company, which has been in the Nigerian market for 78 years. He is a Nigerian with five years of work experience in this role. The company is in the alcoholic and beverage product industry, and Heineken recently purchased 55% of its shares in Nigeria. The company has a presence in over 13 countries and entered the Nigerian market through direct investment. The company has over 2068 staff and its headquarters are in Nigeria.

Interviewees O & P are public relations managers and chief operating officers at one of Nigeria's largest consumer goods corporations for over 100 years. They are Nigerians and have worked in this role for eight years and seven years, respectively.

The company has its headquarters in London and a global presence in over 190 countries. The company is a fast-moving consumer goods company primarily in beauty, personal care, home care, nutrition, and ice cream products. Based on the 2024 annual report of the company in Nigeria, the company has 603 employees working for it in the Nigerian market.

Interviewees Q & R are financial managers and compliance managers at one of the top three fossil fuel development and distribution organizations in the Nigerian market. They both have sixteen years and seventeen years of work experience in this role and are Nigerians. The company entered Nigeria through direct investment and has been in the market for 50 years. It primarily manages Nigerian assets, ranging from pipelines and exploring Nigerian mineral resources to producing gas and fossil fuels. The organization is in over 60 countries and manages more than 2000 workers for the Nigerian market. The organization lobbies politicians and nonmarket stakeholders through its corporate affairs commission and public relations manager.

Interview S is an export manager with twelve years of work experience in this role and is a Nigerian by birth. The organization entered the Nigerian market in 1913 by divesting 40% of its shareholding to the Nigerian public and maintaining 60% of its holdings. Chevron's presence in Nigeria includes oil and gas exploration, production, and gas processing projects. The company operates in over 180 countries and headquarters in the United States. The company presently has over two thousand staff and entered the Nigerian market through direct business investment. The company delivers exceptional service through oil drilling and pipeline management for the Nigerian government and constantly engages nonmarket stakeholders in Nigeria.

4.3 Exploring the Data

The in-depth interview conducted with top managers of multinational corporations operating in Nigeria led to some interesting themes during the analysis. We start by presenting a word cloud from the NVivo software 15 analysis to show the frequency of word usage from the respondents interviewed in this study (*see figure 4.1 below*). The word cloud shows that the most used words are stakeholders, government, market, Nigeria, business, political, policies, and people think, among others.

Figure 4.1

World Cloud



Subsequently, the analysis led to the identification of themes based on their corresponding research questions: i) engagement approaches: the need for engagement and external and internal engagement; ii) firm capability building: acquiring relevant skills and becoming efficient at work, engaging external agencies for innovative insights, innovative insight from conversation with politicians and scouting/scanning the business environment; iii) anticipative strategies: assessing project risk, insight from strategy department iv) Firm Size and Management Political Experience (MPE): having adequate political experience and size contribute to the vast networks of firms; v) relational and transactional strategies: engaging is never a bad decision, engaging through quid pro quo and relationship helps us stay abreast of situations.

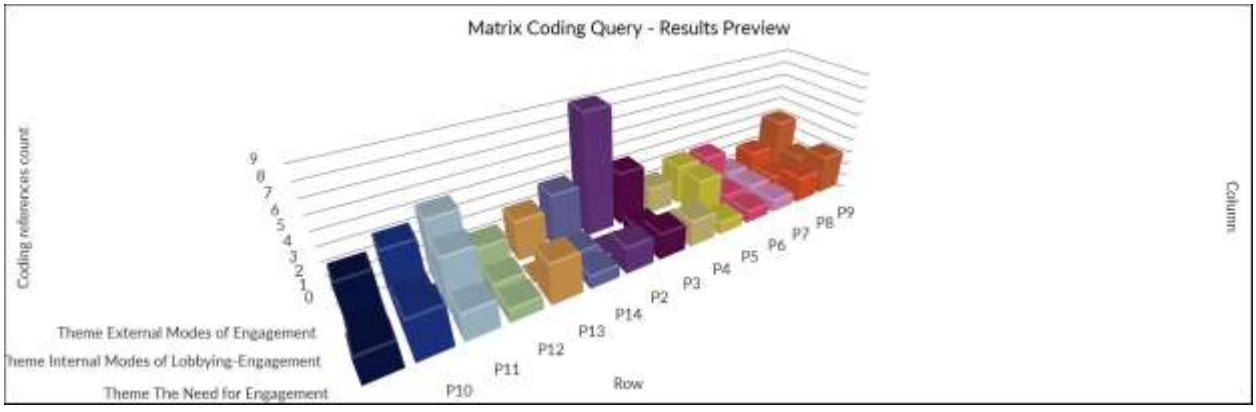
4.3.1 Engagement Approaches: the need for engagement and External and Internal engagement

The perceived political uncertainty in Nigeria influences managers' mode of engagement decisions in several ways in Nigeria. Based on interview responses from top managers of MNE firms in Nigeria, their decisions on the engagement approaches are based on factors such as the industry in which the firm operates and the global codes of business ethics. For instance, professional service organizations like firms D, H, I, and J can decide not to be too encroached or embedded with the host

government because of the nature of their businesses, as all complaints and grievances are channeled towards the regulatory body or association and then to the government. However, firms like F, G, and K cannot operate successfully without day-to-day engagement because the organizations are into the exploration of oil and energy development, and they essentially do this through the management of government assets. Firms A, B, C, E, N, and M are service organizations that produce or manufacture goods and services for Nigerians and, most times, engage the government as an individual entity or through their regulatory bodies depending on the firm's needs and general industry requirements. There is a thin line of difference between engagement and lobbying, and in fact, scholars in IB literature use both words interchangeably to mean the same thing. Engagement for organizations is a polite or formal way of referring to organizations' lobbying processes. Meanwhile, all lobbying leads to engagement with nonmarket stakeholders, but not all engagement leads to lobbying, as an organization can engage politicians in social gatherings to enquire about some policy proposition or engage just for information sake. This section present the first theme from the data analysis based on the research question proposed for this study. A graphical illustration of the theme topic and sub-topic is presented below in Figure *4.2*.

Figure 4.2

Engagement Approaches



The need for engagement: the Nigerian market is considered one of the most volatile markets in the world to do business, and this is because of factors such as policy uncertainty, lack of government direction, and infrastructure to support the market system, and bad leadership that has plagued the nation over the years. This means

that successful internationalization in a market like Nigeria cannot be done in isolation from the nonmarket structure; it requires constant engagement for a business to thrive and survive in Nigeria. Many multinational organizations have left the country because of the volatile nature of doing business in Nigeria. Findings show that between 2020 and 2024, over 60 multinational companies left Nigeria, which amounted to a loss of 94 trillion naira for the nation (Punch, 2024). Interviewees from Firm **H** and **I** have this to say about the need to engage nonmarket stakeholders in Nigeria: *You might have this policy today and tomorrow, another one might come around, probably based on these new policies. You made some plans and all that. And you get down the line, the policy changes, and something else is brought on board. And I mean, you have to rework your strategy and all that again. So it doesn't allow you to plan for a long time because you never can tell what will happen next in the country, and that is why we engage stakeholders and politicians to stay ahead of these things.*

Let's use the exchange rate as an example. It's very volatile, it keeps changing, and recently, it just went beyond what people would have probably expected, and we could see how that affects business in terms of what they can do when it comes to Forex. So maybe you used to do a lot of international training or something, and because of this, you have to, like, oh, the exchange rate is high, and your budget for international training has to be reviewed. All the interviewees affirm the volatile nature of doing business in Nigeria, and because of this, the firm needs to engage nonmarket stakeholders for favourable policy changes, among others. In addition, interviewee **C** indicated: *One other area that is also impacting us is the fact that we have loads of leases in rentals that we pay in foreign currencies. And so we are having huge exposure because of the volatility of the dollar to Naira. So we have a free fall Naira against the dollar lately, which actually impacted the organization negatively as at last year. In fact, we made a loss for the first time in the next financial statement, and then the shareholder funds went negative. It is not good for business in Nigeria and is a major headwind affecting so many businesses in Nigeria. It's even depriving the foreign direct investments to come into the country because of the uncertainty. A rational human being wants to go to a country where they can invest with the rest of their mind, but in terms of security issues, repatriating the funds back to his/her country is now becoming difficult, and sometimes the investment is at a loss.*

Multinational organizations operating in Nigeria have different modes of engaging with nonmarket stakeholders in the country. This is based on several factors like the needs

of the business, policy uncertainty, general industry requirements, and the global business regulations and standards of operation. This mode of engagement was grouped into external and internal modes of engagement, and this engagement approach can also be likened to how firms lobby for favorable government policies for successful business operations.

External Mode of Engagement: interviewees pointed to corporate social responsibility (CSR) as a notable mode of external engagement, whereby organizations integrate some of the host government's social and environmental concerns into their day-to-day business activities and interact with relevant stakeholders instead of just focusing on economic profit. Corporate social responsibility is one of the essential elements of nonmarket strategies that organizations adopt to build and interact with relevant stakeholders and end users of their services, leading to firm legitimacy in international markets (Van Kranenburg, & Voinea, 2017). Empirical findings show that organizations engage in CSR activities to gain access to and directly lobby the government for favorable business policies. As noted by Röell, Arndt, Benischke, & Piekkari (2024) put it, strategic CSR is considered as doing good for political gains. All the firms in this survey have different modes of CSR engagement in the various communities in which they operate, and some of these CSR activities are either done voluntarily or as a business requirement for operating in Nigeria.

As an interviewee from firm **L** indicated: *We support secondary schools in different sports programmes. We do a lot of charity work, where we do something to support charity, and it is documented, it is broadcasted, and stuff like that. So these are the things we do, and they are intentional. You need to make your presence be felt. It's not only your clients that should know you, the general public should know you as well.*

Also, firm F & G interviewees added: *We give back a lot to the communities where we operate. I know we've done schools, hospitals, and sometimes roads as part of projects that we need to do to be able to deliver our own projects as well. Even before it became law in Nigeria, we had a memorandum of understanding with communities where we were operating, and we've done business empowerment programs for those communities and provided scholarships to students from people in those communities as well. I know there are hospital projects; there's school, and we even offer some form of a sabbatical. Internship, internship for student, yes student. But I'm trying to look for the right words now where we pay for professors to do their research in universities within universities.*

Other ways in which the firm engages the host government is through their regulatory bodies or association, which involves the coming together of the major players in the industry to discuss and table the impact of pending or enacted government policies over the operations of organizations in that industry. The regulatory bodies or associations now engage the government to find ways to lift, reverse, or amend policies for the industry players. As an interviewee from Firm N illustrated: *One typical example, there was going to be a VAT increase. Was it VAT or excise on alcohol this year, 2024? So, at that point, the corporate affairs divisions of the three major companies that make beer in Nigeria, the three major alcoholic beverage companies in Nigeria, talking about Heineken, Abebe, Bev, and Guinness. So they came, there's an umbrella body we function on at the Beer sectoral group. So they came, as a body, as one body, they were able to meet with the Minister of Trade and Investment, you know, and they had to table the impact of these things on the business and the impact of the people and the likes, yes. For that singular act, we also got the Trade Union Congress involved. The businesses got the trade union congress involved, which is, you know, official public negotiation guys. So, with that, the policy was reversed. That policy, that proposed tariff increase was reversed, rather suspended.* This external mode of engagement is generally perceived as the widely accepted and adopted mode of engagement by all organizations in the survey. When an individual or organization's mode of engagement fails, the firm results in engagement or lobbying through their association or industry. This was affirmed recently by (Röell et al., 2024), which states that one of the most effective ways of influencing policies in foreign markets is through association lobbying. Interviewee A also indicated: *I feel like one of the most effective ways in which the industry engages the government is through their association, that is, industry lobbies, and in our own industry is through the association of licensed telecom operators.*

Another way the firm engages is by hiring a consultant or subcontracting jobs to other agencies, especially jobs that require lobbying to get some essential licenses and documents necessary for business operations. This is done to avoid directly lobbying for favours. As interviewees B and C put it*, there are instances whereby we need to engage maybe a consultant, I mean that will actually work on our behalf, "where we need to lobby for anything to be done rather than we ourselves indulging in such".* Interviewee from Firm L added that: *"Let the government engagement not come and jeopardize our global brand. We can collect work from them, but if part of the work*

requires lobbying other agencies, we will subcontract it. We'll do the job. We collect our money clean. So, I don't have any business to do with the government. I'm talking to X, Y, and Z consultants. I give him the work to do, he's the one that I have an engagement letter with. He's the one that I would do the work for. If he then chooses to give you a kickback, that's his business". This finding is in line with the strategy noted in the work of Hillman et al. (2004), who stated that firms may hire political consultants to influence policies or leverage trade union organizations.

The internal mode of engagement involves managers identifying key nonmarket stakeholders in the industry, donating to courses they believe in, and recruiting politically exposed or highly influential people to be members of the board of directors of the organizations. Many of the interviewees sampled in this study emphasise these modes of engagement, especially Firm A, B, F, G, K, and N. Organizations can engage or lobby government policies through their Corporate Affairs Commission. As an interviewee from Firm A indicated: beyond just the stakeholder mapping that you would do within the organization *to identify who your critical stakeholders are and constantly engage with them and being proactive about knowing the direction of government policies, you also have to build relationships with these people and sometimes this relationship extend beyond just work alone.*

Some organizations also donate to political parties they believe will foster the agenda of their corporate goals. For instance, an interviewee from Firm K states that: *We make political donations when the need arises. As I said earlier, we also advocate. We also lobby. So if a politician that we know has an interest in a particular state, say, for instance, the Edo state governorship elections that is coming up now, that the election is coming up, we'll make our political donations to whichever political relationship that we think will be better for our business. Aside from the relationship aspect, we are also involved in the transactional aspect when a politician we know has a big influence in this sector. So when they are doing anything, we also have to involve in terms of donations and in terms of, uh, giving out our own contribution to ensure that, yes, uh, we are, we are placed on the top of the heart of these decision-makers.*

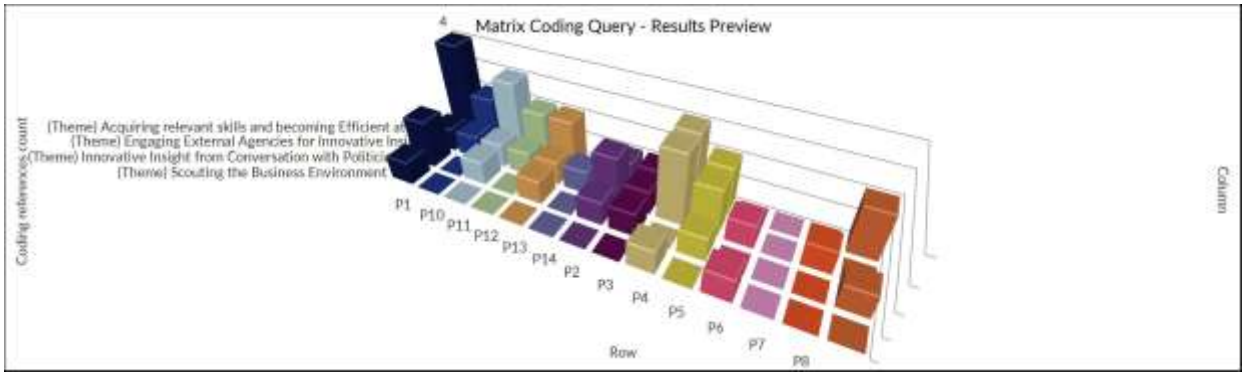
4.3.2 Firm Capability Building

This section of the theme aimed to understand how firm dynamic capabilities influence the engagement approaches MNEs adopt in the Nigerian market. The analysis in this section is very unique and broad due to the nature of the construct (firm dynamic

capability). The interviewees were very experienced on the subject and they provided depth of information on the construct, which led to the development of the theme topic and sub-topic as shown in Figure *4.3 below*. Firm dynamic capabilities are essential to the market and nonmarket internationalization success. However, the relationship between firm dynamic capabilities and nonmarket engagement approaches (DC-NMS) in the International Business (IB) literature has been very scarce. Despite the fact that we follow Parnell's (2018) somewhat narrow descriptions and the importance of firm dynamic capability on firm nonmarket strategies in the host market, we contend that the firm's dynamic capabilities play a leading role and are a determinant of firm market and nonmarket strategies in the international market, and should be recognized. Hence, effective capability building determines employees' competence and capacity to react and proactively initiate market and nonmarket strategies to combat the host market's ever-changing and dynamic business environment. This theme includes: acquiring relevant skills and becoming efficient at work, engaging external agencies for innovative insights, and innovative insight from conversations with politicians (Fig 4.3)

Figure 4.3

Firm Capability Building



Acquiring relevant skills and becoming efficient at work: All the interviewees agree on the importance of employee capacity building and engaging in global training necessary to help employees acquire and make effective business engagement decisions, especially in a volatile and emerging market context such as Nigeria. This strategy is seen as universally adopted by most or all of the MNEs' employees interviewed in this survey, as it helps employees remain efficient in their work. As an interviewees from A and R indicated: *It helps us become more efficient at our work… And when I talk about efficiencies, efficiency is about resources, assets, and costs. So it's about trying to become more efficient to then navigate what you've seen in the market as a challenge. So we attend all of these world congresses, we see what's going on in other parts of the world, and that may be transferable to the countries in which we operate. Two is training, I guess training and exposure to development in other parts of the world has been very helpful to us as well.* Also, interviewees from L and **Q** added this: *Our own dexterity or our own flexibility is now what will help you to navigate these curve balls that are thrown at us constantly in the market. You need to be able to think on your feet. You need to be smart. It is a tough situation, but yeah, that's the environment where we find ourselves. And if the skillset is not in-house and we think we need to get more training nationally or internationally, we will go for it. E,g So we have a secondment programme that allow people go on short-term or long-term secondments in other country. I also went on a long-term secondment, and it was outside of audits just to learn the particular skill sets I've been using since I came back, which is not audit-related, but that's the case.*

Engaging agencies for innovative insights: Some organizations also engage the service of in-house departments and or external agencies whose main role and responsibility is to research the market for new innovative trends and furnish the

organization with this information for effective business decisions. All the MNEs managers interviewed agreed to using this medium to make innovative business decisions and stay relevant in the market. The in-house department involves a subsection of the firm designed to research the market, monitor consumer purchase decisions and behavior trends, and provide this insight to the relevant department. As an interviewee from Firm M described it, *we have a research department. We also have a developers department, which we call technology. So these guys are, on a daily basis, researching new things, new automation, and new AI and providing the information gathered to the heads of each department as it relates to them.* Also, some MNEs engages the services of external research agencies to get innovative business insight. As an interviewee from Firm C and O put it: *We also partner with major OEMs. When we say OEMs, we mean original equipment manufacturers, the likes of Ericsson, owawif, ZTE, and the rest. These are the major OEMs of the world. So we partner with all these OEMs, and then they give us world-class standards and business insight, which positively impact our operations in Nigeria.*

As earlier stated, engagement with nonmarket stakeholders in Nigeria can come in different avenues, either as a result of you being audited, friendly gathering, direct lobbying, or even by having politically exposed individuals on company boards, among others. Each of these scenarios can lead to direct conversations with key stakeholders in Nigeria, and many of the interviewees confirmed that they have often gleaned some innovative business insight from their conversations with key stakeholders in Nigeria during friendly gatherings and events.

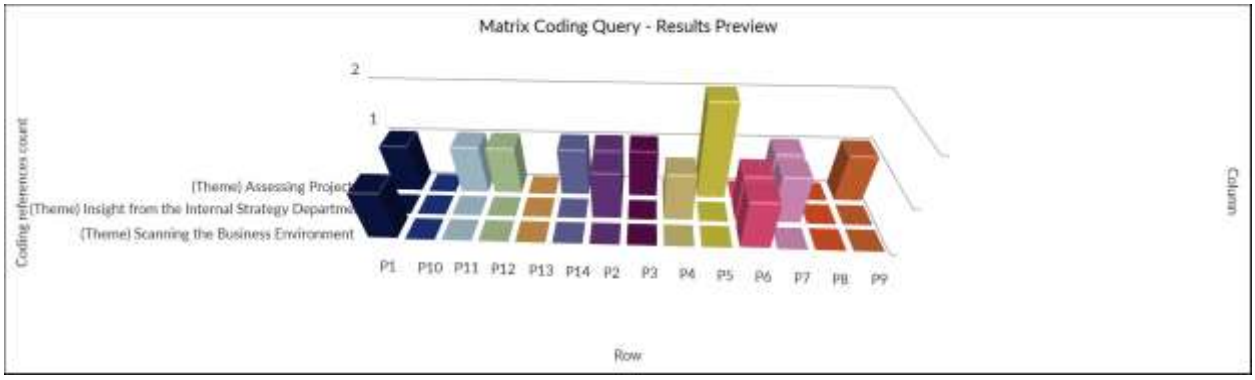
Innovative insight from conversations with politicians, as interviewee from Firm M put it: *They do help us sometimes because we are always engaging with them, and I don't want to be too specific. Sometimes, there might be some part of a service that is not currently obtainable in the Nigerian market. But during interacting with them, they usually say it, and when they say it, sometimes in our other territories where we operate from that particular line of service might be practiced over there. So when they mention it, we then grab it, and tell our management that, look, this service is already in practice at this location. Let's bring it to Nigeria because we have heard from the regulators/stakeholders that it will be good for us, for them to have such service, you know. So that's one way that credit cards came into Nigeria's markets.*

4.3.3 Anticipative strategies

Managers' perceptions of the political uncertainty embedded in the business environment determine the ways in which they strategically and proactively position themselves. The ability of a firm to renew, reassess, or rearrange organizational resources and reconfigure capability is embedded in the competencies of its managers. This is why many multinational organizations always invest in training and retraining of their key assets to be able to combat and proactively compete and respond to the dynamic market conditions. This section also presents results from the interview analysis, and both the theme title and subtitle are presented in Figure *4.4 below*. This theme includes: assessing project risk, insight from the strategy department, and scanning the business environment Figure 4.4.

Figure 4.4

Anticipative Capabilities



Assessing project risk: Managers' anticipative capabilities are important factors that must be considered for successful nonmarket engagement. These factors involved years of work experience (including cross-industry experience), international training and development, attending global conferences, and effective ties to key nonmarket stakeholders, among others. All these factors contribute to ways in which managers assess business and or project risk and scan the business environment for new innovative business insight. For instance, all interviewees affirm that for any new business and or technology innovation that an organization comes up with, it is expected for the manager to do scenario planning that involves assessing the business risk with regards to the people involved, the financial requirements, regulatory needs, and licensing. This assessment helps the organization determine

how it will engage nonmarket stakeholders or regulators for necessary business licensing or registration. All interviewees agree that the organization anticipate and assess business risks before engaging and making investment decisions. As an interviewee from Firm L described it: *we assess the project, come up with the risk elements, the impact of the risk, and the likelihood of the risk crystallizing. And we monitor these. So we monitor the ones that are really, really major. We keep the ones that are not major in the rearview mirror. Just keep checking how significant they are. So yes, we have a mechanism for tracking all of these things.*

Insights from Strategy department: Most multinational organizations have numerous internal departments saddled with different responsibilities. E.g. some organizations have a strategy department, which some also call research and development (R&D), corporate affairs department, or public relations department, among others. The responsibilities of each of these departments vary. For instance, the strategy department or R&D can be saddled with consistently scanning the business environment for new innovative business opportunities and understanding the changing consumer trends. Insight and information from this department are shared across relevant departments and heads of departments, mostly during weekly or monthly management meetings. On the other hand, the corporate affairs commission and/or public relations department are usually saddled with government or stakeholder engagement responsibilities, including lobbying, corporate social responsibilities projects, campaign contributions/donations, and constituency building, among others. The job of this department is to identify relevant government or stakeholders/politicians that can be engaged or lobbied depending on the business needs. As an interviewee from Firm G described, A *team is dedicated to regulating things like this, engaging the government, and identifying important stakeholders and government institutions to engage or lobby for business needs. So that's their job. That's what they're paid for in the organizations.*

This is a unique way in which organizations gather innovative and insight-driven new business opportunities and information about their markets and competitors' offerings. This involves a systematic and well-planned search for new ideas, technologies, and consumer purchase trends to drive new innovative business competitiveness. All the interviewees affirm the different ways their organization scouts the market for new innovative business insight. This step was seen as an important step to continuous business success, especially in a volatile and highly saturated business context like

Nigeria. As an interviewee from Firm A described it: *Scouting your environments or listening to your customers for what they need is a very important strategy that has kept us afloat and competitive in the Nigerian market.* Part of the responsibilities of the strategy department are also to consistently scan the business environment to be able to monitor and reassess the short-, medium-, and long-term business strategy of the organization. As the business environment is changing, some strategic plans of the organization become obsolete and unrealistic; hence, continuous scanning of the business environment gives confidence and helps an organization to stay proactive instead of reacting to these changes.

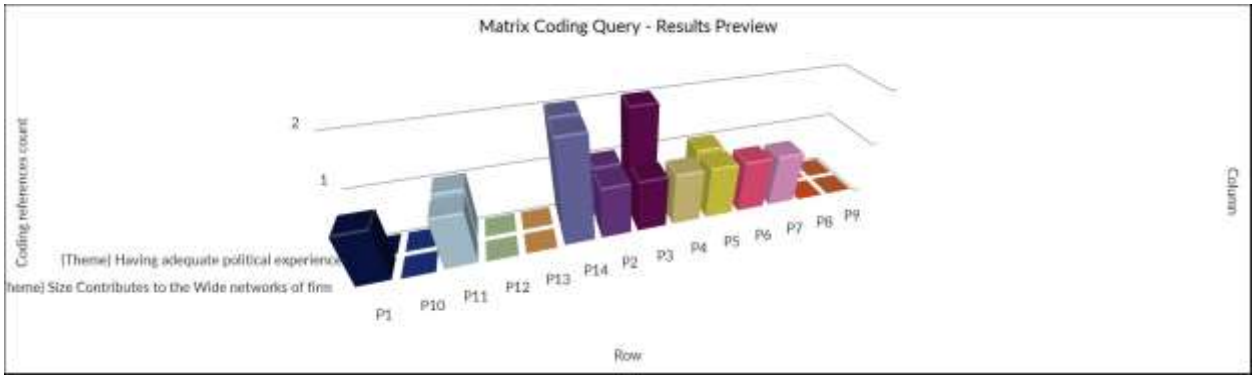
Interviewee from C has this to say about liaising with the strategy department: *There are a number of external risks thats just by scanning the environment, you would see those external risks. So the question is what are the ways in which you then manage your own strategy, your own internal strategies to then mitigate those external risks that you see, some of which you do not have control over. So for example, devaluation of the currency, we had no control over that, but obviously what it means for the business is that we now needed to become more efficient to be able to navigate the tough times and survive as a business.*

4.3.4 Firm Size, and Management Political Experience (MPE)

The size of an organization and the political experience of its management team hold an intrinsic value in ensuring the success of an organization in the international market. This research context focuses on MNEs operating in Nigeria either as a subsidiary firm or with their headquarters in Nigeria. MNEs are large organizations with slack resources to compete favourably and lobby or engage nonmarket stakeholders' policies to their advantage. The size of an organization can influence its strategy and stakeholder formation in the international market, and even though firm size is mainly treated as a control variable when measuring firm performance, it is still an important factor to be considered (Parnell & Brady, 2019). This section of the analysis and its corresponding constructs were treated as a moderation in order to be able to understand the depth of MNEs' engagement with respect to their age, size, and management political experience, and this is graphically represented in Figure 4.5 below. This theme includes: having adequate political experience and size contributes to the vast networks of firms, *see figure 4.5*.

Figure 4.5

Firm Size and Management Political Experience



The size of an organization as a multinational corporation also holds significant value in helping firm to access slack resources to engage in many community projects (CSR), lobby for favourable policies, constituency building, donating to political campaigns and these activities help the end users and key stakeholders to notice the firm operation which at the end serve to confer legitimacy. Being a multinational organization means that the firm has a wide network to assess business, and contracts from the government among other things, but the size and age of the firm are not enough factors that MNEs need to survive and operate successfully in a volatile market context like Nigeria. The firm must also be politically savvy and that is where the firm management political experience comes in handy for the organization. An interviewee from A described it this way: *the spread is part of our advantage in the market, but I also think that any business in Nigeria must be politically savvy, even irrespective of the size. So even if your size is not such that you're able to individually engage, you must be able to engage through an association and know what your association is engaging in.* Also, an interviewee from N and S added this: *We are a big multinational. and not just being big, we also employ quite a healthy workforce. We also are good employers of labor. And I think that is a part of it that makes our clout and network stronger as a business. So it gives you the visibility and gives us the voice. Because you're not only engaging full-time employees, you have contractors that work with you, you have suppliers that you work with, you even have third-party staff that you also engaged and you are paying them fair wage, fair wage that is even above the government approved minimum wage. So the size of the firm being a multinationl corporation that has operated for about 78 years in Nigeria gives us the wide networks and clout needed at any point in time.*

Also, Management political experience is another important factor that determines how far a firm would go in the international market, especially when competing in an emerging market context characterized by a weak institutional framework, political uncertainty, and lack of formal and informal market structure (Peprah, Giachetti, Møller & Rajwani, 2022). Corporate lobbying is the most common form of government engagement and interaction with nonmarket stakeholders in foreign contexts. Having a management team with political influence and or ties to the host government and regulators plays an active role in the firm's survival (Nalick et al., 2023). The political experience of the firm management team in successfully engaging and lobbying key stakeholders in the host market's decisions in favour of an organization is seen as an

effective corporate political activity. All the interviewees affirm the importance of management political experience as it holds great value to the survival of the firm's activity in the Nigerian market. Interviewee from Firm N described the importance of management political experience this way:

One of the firm beliefs we hold here is sustainability. And I think that is one mantra that the management team has and plays on. The question on sustainability is the reason why we might not want to do some things that seem conventional in the average Nigerian setup. Like I gave an instance of political engagement or engaging with political stakeholders. The instance would be that if I, as a business manager, or we, as a business organization, fraternize so much with one person because he's in office today, how sustainable will it be for us when the person leaves office tomorrow? Yes, the management experience is very important for us as a company, experiences of the workforce of Nigerian breweries. Yes, experience as a company. Like I said, Nigerian breweries have operated for 78 years in Nigerian market. So that also adds to something. So when you're going out, you know, anybody you are talking to knows that organization being 78 years in a volatile Nigerian market, you know, is not a joke. they know naturally that you have something to offer.

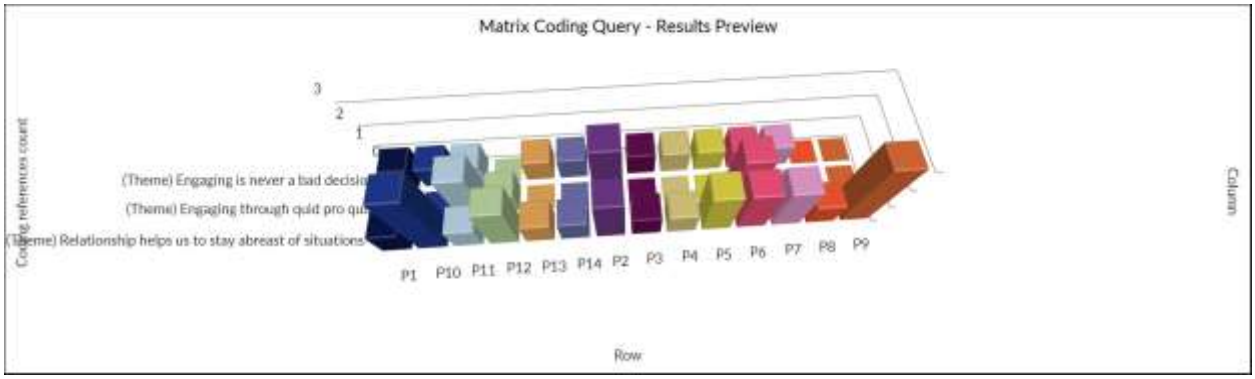
4.3.5 Relational and Transactional Strategies

We tried to understand how the relational strategies or political ties with key stakeholders and the different modes of transactional strategies they engage in to get things done in the Nigerian market. Relational strategies are the different ways that MNEs build relationships and maintain relationships with key stakeholders, politicians, and regulators for favourable business transactions. Relationship building (relational strategy) is an important corporate political activity that MNEs have been adopting to engage and leverage politicians, stakeholders, and regulators during times of business need for favourable policies. As important as relationship building is to the success of MNEs' operations, the institutional business framework, political uncertainty, host country formal and informal market structures play an important role for organizations to decide whether building or keeping relationships with stakeholders or politicians in the Nigerian market is worth the risk. Finally, the analysis in this section aimed to understand the sub-strategies of nonmarket and CPA practices that involve organization-building relationships with politicians (relational strategy) and those that use transactional strategies to influence important policies to the advantage of the firm.

Interestingly, there are many insightful subtopics that emerge from this theme, which lead to answering the research question posed for this study and are graphically presented below in Figure 4.6. This theme includes: quid pro quo engagement and relationship helps us stay abreast of situations

Figure 4.6

Relational and Transactional Strategies



Relationships help us stay abreast – results show that relationships are very critical to the success of an organization in the Nigerian market, and in fact, all Interviewees confirmed that relationship building and engagement are never a wrong decision; what can be wrong is when the values of both parties do not align at the negotiation table. Interviewee from Firm A described the importance of relationship building this way: *That's the only way you can stay abreast of even what is coming your way in Nigeria.* Interviewee from Firm C describes the relationship building in Nigeria this way: Well, I think building relationships in Nigeria will enable you to achieve so many goals that would've been difficult to achieve if those relationships were not there, most of the time*. I mean, you get things done easily when you maintain good rapport, or you build relationships with top key stakeholders and politicians, guys in Nigeria.*

MNEs that decide not to keep a relationship or engage with politicians and key stakeholders are going to be using avoidance, compliance, and anticipative strategies to operate in a foreign context (Frynas, Child & Tarba, 2017). This strategy holds greater risk to the continuous survival of an organization's operations, and such a firm is susceptible to liquidation in the Nigerian market. The huge loss of 94 trillion Naira revenue due to the liquidation of over 60 MNEs between 2020 to 2024 (Punch, 2024) could be as a results of lack of management political experience to engage and lobby for favourable policies, it could also be lack of building effective relationship with key stakeholders or over reliant on transactional strategies (quid pro quo) among others. Engaging in a transactional strategy, unlike a relational strategy, is a one-off engagement approach deployed to tackle some salient nonmarket challenges that may impede smooth business operations and is defined as a way of engaging in a

quid pro quo or exchange of favours with stakeholders or politicians and sometimes may also involve money exchanging hands. This can be done to lift important business policies in favour of the organization, and in exchange, the organization engages in some sort of services for the betterment of the host community or government. Transactional strategy does not necessarily mean that money must exchange hands, and MNE firms using this strategy do it as a form of quid pro quo. All interviewees agree on the usage and importance of relational strategy; however, an interviewee from B gave a perfect description and many examples:

I'll also mention, for instance, that this road infrastructure tax credit scheme was introduced in the government in 2022 as part of the engagement with the politicians and government, as well, Firm B decided to build the Enugu Onitsha Expressway, and that in itself led to the tax rebates that Firm B had under this tax remit scheme. National Identity Management Corporation was another one where Firm B built and donated technical equipment for the national identity that Nigeria is driving. At the moment, I knew it was about 1.2 billion naira in equipment due to capacity gaps and lack of funding in that government establishment because government insisted they needed an ID system that capture all its citizens and that was during engagement with the politicians and leadership we then say, okay, how about Firm B invest in that infrastructure to make it seamless because not having a proper ID system was impacting on our own reveneu base as well.

Also, I think in the early days when Firm B started, it was more transactional, very transactional, and I think Firm B at the time thought Nigeria was very volatile in essence and thought, let us make our money now and exit this market as much as possible. Let's maximise. At the early days, 2001, Firm B was selling sim card at very high prices for instance, and then never really owned any assets. It was probably franchising, which means just transactional In case I want to exit this business, I can exit immediately in case anything happens. That was the perceived outlook. But over the years it shifted to more relational because the business realised that this market is very critical to the survival of Firm B group as a whole and there needs to be an assurance to stay longer in this business. And that's why recently shares were open to the public to buy into it. Firm B started looking at maybe owning some critical locations in Nigeria, for instance, Firm B is going to build one of the world park campuses similar to what we have in Johannesburg in Lagos, where we'll head the current head of the head office we own today.

4.4 Discussion

The preliminary insight from the qualitative data exploration and analysis, combined with the literature review on nonmarket engagement approaches and firm dynamic capabilities, shows us that multinational corporations operating in a volatile and emerging market like Nigeria need constant engagement to survive and remain in business. Based on our results, we suggest a number of propositions and a model of the findings (figure) which can direct future research on the topic.

A manager's perception of political uncertainty in a foreign market goes a long way in determining how firms map nonmarket engagement strategies for foreign markets. Literature on nonmarket strategy shows that mapping political strategy and engagement during internationalization is as important as the market strategy itself (Parnell, 2018; Adejare et al., 2023). This shows that MNEs' survival and success during internationalization depend not only on the market strategy alone but also on how successfully they can carve out strategies to engage and lobby essential nonmarket stakeholders in volatile and emerging markets like Nigeria. Our findings show that MNEs in Nigeria must constantly engage nonmarket stakeholders and regulators to survive in the market. Hence, political ties and engagement matter to the success of firms in foreign markets. This was affirmed in a recent study by Roell et al. (2024), who affirm that political connection matters in a volatile market like Indonesia. Hence, it can be argued that:

P1: Managers perceived political uncertainty influences the approaches adopted to interact and engage with nonmarket stakeholders in Nigeria.

Firm dynamic capabilities are important tools in NMS literature that have long been overlooked and can be defined as a complex bundle of talents, abilities, and knowledge that are acquired over a long period of time and used to organize resources and coordinate firm active and inactive resources for successful operations (Assudani, 2008; Teece et al., 1997). We agree with the somewhat narrow description of the importance of firm dynamic capabilities on NMS by Parnell (2018), and we believe that firm dynamic capabilities are idiosyncratically linked to an organization's overall competencies and success **(**Berchicci et al., 2012; Vogel & Güttel, 2013). There has not been any direct link between firm dynamic capabilities and NMS even though the relationship can be assumed from a logical standpoint. However, firm dynamic capabilities

and market strategy have shown a positive link in IB literature (Agyapong et al., 2016). Also, achieving success in the nonmarket area involves satisfying the interests of market and nonmarket key stakeholders, politicians, regulators, and media groups, and this can only be achieved through the strategic positioning of the firm's dynamic capabilities in foreign markets. Managers' abilities to successfully engage nonmarket stakeholders stem from skills that are idiosyncratically gathered and linked to organizational competencies and success and are considered to be scarce, fairly immobile, and very difficult to copy. Following this logic, firm dynamic capabilities, NMS engagement approaches, and internationalization success can be seen as mutually reinforcing (Frynas et al., 2017; Scherer et al., 2016). For this reason, it can be argued that:

P2: Firm's dynamic capabilities enhance managers' engagement approaches and firm internationalization performance in a foreign market

Anticipating public policy changes is one of the essential skills that a manager operating in a volatile and emerging market like Nigeria needs to have. These skills require the manager's ability to anticipate public policy changes related to the organization's business processes and strategically prepare responses to tackle such policies. Anticipative strategies or capabilities have gained significant support from early literature on NMS (Oliver & Holzinger, 2008) and are mostly aimed towards achieving first-mover advantage in foreign markets. The qualitative research conducted shows that engaging nonmarket stakeholders is not enough for success; managers must be able to anticipate public policy changes and carve market and nonmarket response strategies to achieve firm legitimacy and first-mover advantage in foreign markets. Hence, managers' perception of the uncertainty in the business environment influences how they carve out market and nonmarket strategies. Anticipating capabilities allow preparing for the worst-case scenario (Adejare et al., 2023), and this is mostly prevalent in markets characterized by a weak institutional framework, political uncertainty, and a lack of formal and informal market structure (Peprah et al., 2022). Thus, it can be argued that:

P3: Anticipative capabilities have a significant influence on a firm's internationalization performance

Furthermore, the interviews also examined the role and importance of firm size and management political experience on firm internationalization success, and the findings support several works in IB literature on firm size (Parnell & Brady, 2019) and management political experience (Den Hond et al., 2014). Large organizations typically possess slack resources that can be allocated to lobbying and engaging nonmarket stakeholders in foreign markets, which medium and small firms do not have. This means that firms with extensive networks have more resources to reach a broader market and audience compared to small and medium firms, and this enhances firm visibility, acceptance, and legitimacy in foreign markets (Martín, Chetty & Bai, 2021). A firm's ability to sense, seize, and reconfigure resources mediates how size translates into international performance: size supplies resources, but DCs determine whether those resources are recombined effectively for foreign market learning, innovation, and local adaptation. Recent systematic reviews show a strengthening consensus that DCs are central to MNE global strategy and to explaining heterogeneity in international performance across firms of different sizes (Pitelis, Teece, & Yang, 2024). Large firms' scale makes nonmarket engagement both more necessary (to manage exposure) and more complicated (higher stakeholder scrutiny); recent reviews argue MNEs must adopt culturally embedded, values-based nonmarket strategies to convert political access into sustainable international advantage (Shirodkar, Liedong, Rajwani, & Lawton, 2024). In short, firm size amplifies both the opportunity and the reputational/political risks of cross-border activity, and an organization that is strategically positioned in the host market will benefit from the advantages that the size confers during internationalization. Thus, it is argued that:

P4a: Firm size significantly moderates the impact of perceived political uncertainty and firm dynamic capabilities on firm internationalization performance.

Additionally, having large resources and competing in a volatile and emerging context like Nigeria might not be enough for internationalization success. Management political experience is an essential complementary skill and connection needed to drive market and nonmarket organizational corporate objectives and access crucial government resources. Management political

experience is an empirically meaningful predictor of how well firms internationalise, but its effect is conditional rather than uniformly positive. Political experience supplies access to networks, information about regulatory processes, and easier access to home or host country institutions, which can lower entry costs, secure permits or financing, and facilitate bargaining in high-institutional-risk markets like Nigeria. Empirical studies show political ties often increase the likelihood and scale of outward foreign investment, though these effects are complex and sometimes non-linear (Huang, Zhou, Wu, & Wang, 2023). However, politically experienced managers can convert access into outcomes only by deploying coherent, context-sensitive nonmarket strategies (lobbying, stakeholder engagement, CSR signalling, host-country relations). The political management literature formalises this as a capability: firms that treat political engagement as a proactive and dynamic process extract sustained international benefits, whereas ad-hoc or rent-seeking approaches backfire (Liu, Zhu, Wei, & Wu, 2025). Also, political experience supplies resources and signals, but firms need sensing, seizing, and reconfiguring capacities to translate those resources into successful foreign entry, adaptation, and performance. Recent empirical work shows that CEO's international/overseas experience promotes dynamic capabilities, which in turn mediate firm outcomes, suggesting political experience will most reliably benefit internationalisation when coupled with strong DCs (e.g., market sensing, political-risk reconfiguration, cross-border integration) (Oliver & Holzinger, 2008). Hence, it can be argued that:

P4b: Managers' political experience significantly moderates the impact of perceived political uncertainty and firm dynamic capabilities on firm internationalization performance

Finally, transactional and relational strategies are essential elements of NMS practices that have gained significant relevance in NMS IB literature. They focus on helping an organization create and maintain connections and ties to the host government's nonmarket structure. Political connection and engagement, as earlier affirmed, are essential skills and resources needed for internationalization success, especially in a market characterized by weak institutions and political uncertainty. As findings from the interviews show, relationships (relational strategies) for MNEs operating in Nigeria are very

important for the day-to-day management of the business processes. The interviewees' general contention is that relational strategies are the only way a firm can survive in the Nigerian market. Transactional strategies, on the other hand, are a form of quid pro quo that firms usually engage in to move or change certain government policies to the advantage of the business. Hence, this does not necessarily mean that money must be exchanged in such transactions, and as evidenced in the interview findings, it is done mainly to lift or curb certain policies that may prove problematic for the organization's operations. These findings were also corroborated in the work of Van Kranenburg & Voinea (2017), who found that maintaining effective relationships with nonmarket key stakeholders in a foreign market may be the difference for organizations' continued business success and filing for bankruptcy. Thus, it can be argued that:

P5: Perceived political uncertainty determines how managers use relational or transactional strategies to enhance internationalization performance in foreign markets.

The above discussed propositions are graphically represented in a proposed research model is emerging from the findings and analysis of the study. The model shows that the interrelationship between managers' perceived political uncertainty and firm dynamic capabilities directly influences the engagement approach (proactive and or defensive strategies) decision adopted by organizations, managers' ability to anticipate policy changes, thereby proactively rearranging, reconfiguring, and repositioning firm capabilities to compete and achieve internationalization success effectively. It also shows how managers decide between building a relationship with nonmarket stakeholders or using a one-off transactional strategy to influence policies in a foreign market. Furthermore, the model explores the moderating role of firm size and management political experience on the impact of engagement approaches and dynamic capabilities on firm internationalization success. Our results, as shown in the model, suggest that the perceived political uncertainty in foreign markets determines the mode of engagement that managers will adopt to compete in emerging and volatile markets. The results also show that there are internal and external modes of engagement in decision-making that managers can choose from, which align with John and Lawton (2017). The

internal mode of engagement includes decisions such as recruiting politicians for the company board, political campaign donations, lobbying, and political action committees, among others. On the other hand, the external mode of engagement is mainly carried out through the organization's deployment of a corporate social responsibility (CSR) project with the aim of influencing both the nonmarket stakeholders' decisions and gaining acceptance from the general market. Another external mode of engagement is through the firm's association. And this involves lobbying or engaging nonmarket stakeholders through a unionized voice (association) to influence government policies to the advantage of organizations. All interviewees affirmed to this mode of engagement, and it is a common practice in many industries.

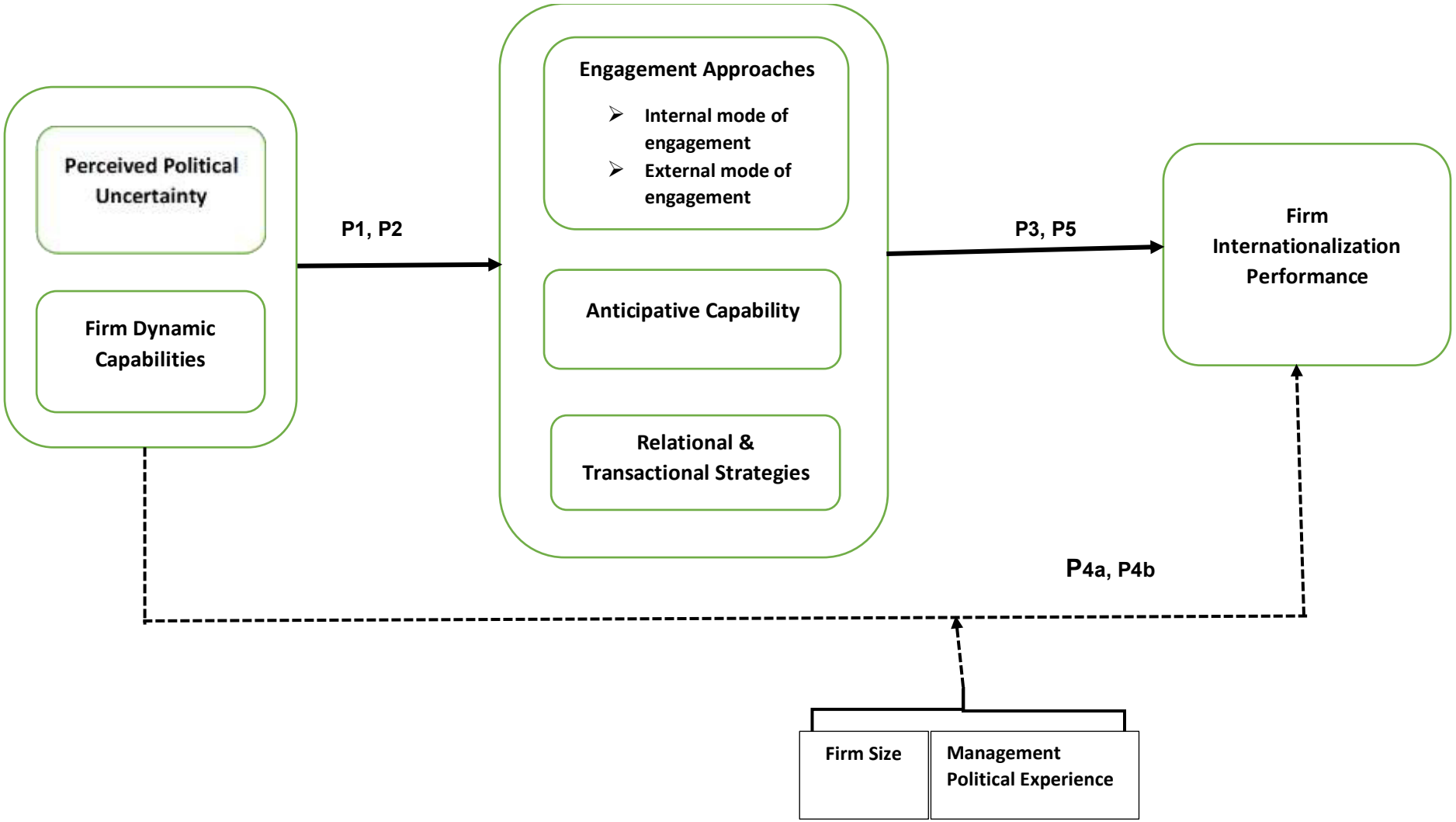
Managers have different perceptions of political uncertainty, especially in a volatile and emerging market like Nigeria. The interpretation managers give to political uncertainty in the host market is based on several factors, such as managers' political experience and connections, the firm's internal capabilities to harness pressure from the host market, organization objectives, and overall goal for the market, and slack resources for lobbying and engaging with the host market's nonmarket structure. These factors help organizations to decide whether to engage politicians in foreign markets or to use a non-engagement approach (anticipative or reactive capability). It also allows organizations to decide whether to build a relationship with nonmarket stakeholders or focus on a one-off quid pro quo (transactional) strategy. The results show that doing business in volatile and emerging markets like Nigeria requires constant engagement and lobbying, as respondents affirmed that it is the only way organizations can survive and achieve sustainable competitive advantage in the market. This is because policies are constantly changing, and it is almost impossible for an organization to have a long-term strategic business plan when competing in such a market. Success for an organization in this type of market depends on constant engagement and constant review of business plans and goals, which must align with the host market's changing business landscape and market conditions.

Furthermore, the model highlights the moderating role of firm size and management political experience on the impact of perceived political uncertainty and firm dynamic capabilities on firm internationalization success, and the results show that the size of a firm has its own capabilities and advantages that it bestows on the firm in the foreign

market. For instance, there is a tendency for one to consider a business proposal from an organization that has operated for ninety-nine years in the Nigerian market rather than a proposal from an organization that is five years old in the market. Also, the ability of a firm and its management team to access critical and valuable resources holds great relevance to a firm's success in the international market (Lawton, McGuire & Rajwani, 2012; Mbalyohere & Lawton, 2018).

Figure 4.7

Emerging Framework of Nonmarket Risk and Firm Dynamics Capabilities



4.5 Concluding Remarks

This chapter analyses, discusses, and presents the results from the qualitative survey interviews conducted with managers, public relations officers, compliance managers, etc, of MNEs operating in the Nigerian market. The analysis revealed the importance of dynamic capabilities and nonmarket engagement approaches that can be adopted to lobby for favorable government policies in Nigeria. It also shows that engaging and building relationships with nonmarket key stakeholders in Nigeria is the only way through which a firm can survive and thrive in a volatile and emerging context like Nigeria.

The analysis allowed us to offer managerial and theoretical implications on the importance of dynamic capabilities and their role in the management of nonmarket structures in the next chapter. Finally, the chapter presented a model that emerged from the findings and analysis of the study. Some key implications of our findings are that a firm can only survive and compete in Nigeria through constant engagement with nonmarket stakeholders. The view and the need for engagement are unique per industry. E.g., the professional service industry does not view engagement like the oil and gas, the telecommunications, or the fintech industry does. Firms in the professional service industry operate from strict global standards, and rules and international codes of ethics strictly guide their activities. This means they must remain politically neutral or apolitical, and you will not see them directly lobbying or engaging nonmarket stakeholders to influence any policies in their favour. They, however, affirm that the only mode of engagement they usually use to communicate and influence changes in the Nigerian market is through the association they belong to (e.g, ICAN). So, engagement for the firms in this industry is not a do-or-die affair as their operations are not reliant on any government asset. However, firms in sectors such as oil and gas and telecommunication, among others, must constantly engage the government, and this is because most of the firms in these industries manage government assets, and the government owns a large percentage of their business operations. Hence, they must constantly engage to ensure the policies are always favourable for continuity and success.

Nigeria is a culturally diverse market, and different norms and belief systems govern each region or state; organizations coming into such a market must understand each region's different norms and belief systems for effective business operation. For instance, alcoholic beverages and smoking of cigarettes are culturally acceptable for

trading and buying in regions like the southwest, southeast, and southern regions. Still, they are not allowed in most states in regions like the northwest, northeast, and a few in the north-central part of Nigeria.

CHAPTER FIVE
GENERAL CONCLUSION

5.1 Introduction

Considering the interview results of this research, this chapter presents the overall conclusion from the findings. The goal is to provide the empirical layout of these findings and the actionable insight to assist managers in nonmarket engagement approaches and firm dynamic capabilities that can be adapted to compete favorably in volatile and emerging contexts like Nigeria. Hence, the general conclusion of this research findings will start with empirical research and theoretical and managerial implications to provide managers with accurate resources and an understanding of the dynamics of operating in a volatile market like Nigeria. We aim to conclude this chapter by presenting the delimitation, limitations, and future focus areas on the subject matter. This is very important because the field of NMS and firm dynamic capabilities are continuously evolving, and given the unique connection that this study unravels, the dynamism surrounding the business environment requires that new perspectives will always arise, and research must be ready to provide helpful insight to help business and society altogether.

5.2 Main Empirical Research Conclusions

The imperative management of the nonmarket stakeholders, including regulators, has come to stay at the forefront of the corporate strategic business goals and plans for the international market. The credibility and relevance of NMS practices in today's organizations can be attributed to the global environmental uncertainty plaguing organizations through the internationalization of businesses. When planning for internationalization, organizations must consider both the market and nonmarket environments that may pose barriers to success in the host market. Decades ago, NMS practices received limited attention as scholarly focus was directed towards market forces involving supply and demand (Lupton et al., 2020). Today, any organization that wants to succeed both in the home and host countries of business interest must factor in ways to influence nonmarket key stakeholders in the home and host countries for successful business operations. This shows that NMS engagement practices in the host country of business interest cannot be swept under during

internationalization business planning. Hence, this research highlights the important role of firm dynamic capabilities in managing nonmarket key stakeholders for successful internationalization performance. There is no doubt that NMS practices have had several notable empirical contributions to the performance of firm internationalization (Parnel 2018; Adejare et al., 2023). This study aimed to highlight the important role that firm dynamic capabilities play in shaping the complex relationship between NMS and firm internationalization performance. Five research questions were set out to answer the objectives of this study and to unravel this conundrum, and qualitative research through content analysis was carried out to answer the proposed research questions.

The findings show that managers' perception of the political uncertainty embedded in the business environment influences the nonmarket engagement approaches they will deploy to influence policies and engage regulators. Essentially, political uncertainty and nonmarket stakeholders (including regulators) are seen as a business threat that, if not curbed and strategically planned for, can be the difference between success and failure and success or liquidation of a business in a foreign market (Luo & Wang, 2021). As stated by some interviewees, engaging nonmarket stakeholders is the only way a business can survive in a market like Nigeria. Furthermore, the study examines some essential constructs of nonmarket engagement approaches, such as anticipative capabilities that explain how a firm operating in a volatile market can anticipate public policy changes that may affect its business and strategically prepare responses to enhance its visibility, firm legitimacy, and sustainable competitive advantage. Firm size and management political experience are other important constructs, and this is because the size of an organization determines its net worth and networks; these are two essential resources that enhance firm visibility, acceptance, and legitimacy in the host market (Nalick et al., 2022). Findings show that management political experience, on the other hand, is an important complementary skill necessary to provide and project light on organizational resource allocation in foreign markets. In today's dynamic business environment, having the right business plans, resources, and networks without management, political connections, and experience may prove futile for business operations in a volatile market. This was confirmed in a recent work by Roell et al. (2024), who affirm that political connection matters in a volatile market like Indonesia.

Also, relational and transactional strategies are another important construct of nonmarket engagement approaches examined in this study, and findings show that building relationships with key stakeholders is the only way a firm can stay abreast of what is to come (Kranenburg & Voinea, 2017). This shows that building relationships (relational strategies) and or engaging stakeholders and regulators' services through quid pro quo (transactional strategies), which is a form of value exchange between organizations and politicians/nonmarket stakeholders or regulators and which does not necessarily mean a financial transaction between parties are one of the ways an organization can survive in a volatile market like Nigeria.

Finally, the study examines the important role of firm dynamic capabilities in illuminating the connection between nonmarket engagement practices and firm internationalization performance. Findings show that firm dynamic capabilities are distinctively embedded into the overall organizational competencies and success. This means that the day-to-day management of the organization's business processes, the constant training and reconfigurations of business operations to adapt to changing market conditions, the market and nonmarket engagement and interactions between home and host countries are embedded competencies that are scarce, relatively immobile, and difficult to imitate successfully for every organization. Hence, these scarce, immobile, and very difficult-to-imitate capabilities, once used successfully in a country, become organization idiosyncratic competencies and road maps that are easily replicated in other host markets.

5.3 Theoretical Implications

The three essential theories underpinning this study are the Dynamic Capability Theory, Network Theory, and Political Embeddedness Theory. As earlier depicted in the study findings, relationships and networks are essential tools for a firm’s internationalization success in the foreign market. Hence, the nonmarket capabilities of an organization are embedded in its networks. This means that the firm's ability to influence international nonmarket environments and achieve success depends not just on its internal resources but also on its access to influential networks. Network theory suggests that nonmarket capabilities, e.g. (lobbying or coalition-building, etc.) are not just internally developed; they are co-created in inter-organizational relationships (Nkemdilim & Elvis, 2021). This shifts the view of nonmarket strategy from being purely

firm-driven to being relational and situated within a network of political and social actors.

Also, a firm's ability to respond and react to policy changes in foreign markets depends on its strategic flexibility within the networks to which it belongs. A firm's ability to dynamically respond to changes in the nonmarket environment (e.g., regulation shifts) is enhanced if it has central or broker positions in political networks (Bilro, & Cunha, 2021). Network theory suggests that social capital and network centrality provide early information, influence, and access, thereby enhancing firms' dynamic capabilities. This shows that organizations that occupy strategic positions in political or stakeholder networks can better anticipate and respond to nonmarket threats or opportunities to gain a first-mover advantage in foreign markets. Furthermore, firm dynamic capabilities evolve as firms deepen their political ties, learn from nonmarket interactions, and adjust their relational and transactional strategies to suit the nuances of the host market political stakeholders (Bilro, & Cunha, 2021). Moreover, firms do not just use networks; they shape and are shaped by the networks they belong. This suggests that there is a co-evolutionary relationship between nonmarket dynamic capabilities and the firm's network/political embeddedness.

Engaging political nonmarket stakeholders is not cheap, and most of the time requires constant and dedicated resources for effective engagement, which is why MNE corporations, due to the benefits of slack resources, benefit from unwavering support from the host government. Political embeddedness and network theory help explain why using similar strategies can lead to different outcomes for different organizations in foreign markets because of access to networks, resources, and political actors. Thus, network theory and political embeddedness theory explain the variance in nonmarket effectiveness through differences in social/political embeddedness and network configuration. Political embeddedness theory implies that firms develop dynamic capabilities not in a vacuum but under the influence of institutional and political structures (Whelan & Muthuri 2017). Firms can adapt and reconfigure their strategies based on how deeply they are embedded in political systems and informal power structures. This supports the notion that dynamic capabilities in nonmarket domains are context-dependent and evolve through political learning and institutional navigation.

Advancing the logic of dynamic capability, network and political embeddedness theory in this study implies that organizations cannot survive or exist without their networks

or relationships, and this pool of networks includes engaging important political stakeholders in foreign countries, all of which actions are essential to a firm's successful internationalization. And successful nonmarket stakeholder's engagement begins with identifying, building and maintaining effective relationship with essential political actors in foreign countries. Some scholars argue that political embeddedness can be disadvantageous to foreign firms under specific conditions, such as the risk of political shifts, reputational damage, loss of strategic flexibility, and regulatory and legal scrutiny, among others (Marquis & Qian, 2014). Therefore, we argue that engaging political stakeholders has to be done with some level of dexterity and caution to avoid over-embeddedness, should there be a political change or shift in the host country.

Table 5.1

Summary of Theoretical Contributions

Relational strategy	Nonmarket strategies are embedded in and shaped by relationships, not just internal firm logic.
Contextual dynamic capabilities	Political context and institutional ties condition how capabilities develop and work.
Networks as a resource	Networks are strategic assets that shape influence, access, and adaptability.
Co-evolution of capabilities	Capabilities and networks/political ties co-develop over time.
Performance heterogeneity	Firm differences in nonmarket outcomes are linked to embeddedness and network structure.

Source: elaborated by the author.

5.4 Managerial implications

Many important managerial recommendations can be suggested based on the findings of this study. First, managers should map, build, and continuously maintain relationships with key nonmarket stakeholders or actors, policymakers, regulators, NGOs, business associations, etc. This is because network theory advocates that who you know (and how central you are to information and resources) determines your influence, information access, and legitimacy. This is also evidenced by our results. Hence, managers should develop a political stakeholder map that includes formal and informal nonmarket actors, and they can also use coalition building with other multinational corporations or interest groups to amplify their influence in foreign markets (Albino-Pimentel et al., 2018). The study findings reinforce the importance of relationships and network capability and provide valuable insights into the role of political actors in the success of MNEs' operations in foreign markets. Also, our findings reinforce the importance of capability building as that is the tool that managers can use to reassess, renew, rearrange, and reconfigure an organization's resources

to respond and strategically position the firm in a volatile market like Nigeria. Managers also need to be aware that nonmarket capabilities are context-dependent and unique (Moreno, Cavazotte & Carvalho, 2020). This means that what works in one political or institutional environment may not work elsewhere, and therefore, managers need to understand the local political logic and institutional norms surrounding the business environment in which they operate.

Political Embeddedness Theory holds that firms are deeply influenced by their political context, and their success depends on how well they navigate it (Gulati & Sytch, 2007; Sawant et al., 2021). Hence, managers need to be trained on institutional sensitivity and host market political culture to localize nonmarket strategies such as lobbying, campaign contributions, CSR, etc., to reflect local rules and modes of engagement. The study findings show that foreign firms may also hire politically connected individuals or partner with local players for institutional navigation. The uncertainty surrounding the global market requires that nonmarket capabilities must be dynamic and not static for successful operations. Organizations should not treat nonmarket engagement like a one-time effort. It should be about continual learning and reconfiguration in response to shifting political, social, and regulatory environments because dynamic capabilities theory emphasizes the importance of sensing, seizing, and transforming capabilities in turbulent environments (Li & Ding, 2017; Li, Shahzadi, Zheng & Chang, 2021). Therefore, an organization should build internal systems that are saddled with the responsibilities of monitoring policy changes, stakeholder sentiment, and political risks. They may also develop cross-functional teams (e.g., legal, public affairs/relations, and sustainability) that can collaborate on adaptive responses.

Political engagement and networking for all organizations aim to gain a strategic advantage. Firms with stronger political ties and network centrality have a strategic advantage in shaping policy, accessing information, and managing government risk (Forsgren, 2008). Network theory shows that central players get better, faster, and more diverse information and enjoy greater legitimacy in decision-making circles. Thus, an organization needs to invest in strategic lobbying and long-term political relationship building, not just reactive engagement alone (Adejare et al., 2023). They need to identify and occupy brokerage positions between different nonmarket stakeholder groups in foreign markets, as this gives leverage to the organization. Lastly, political embeddedness can be a source of innovation or a first mover's

positioning and can also be a constraint. Being embedded in political structures gives access to policy intel, funding, and influence, and it can also constrain innovation if firms become too aligned or embedded with the status quo (Okhmatovskiy, 2010; Sun, Mellahi & Thun, 2010). Therefore, organizations need to be able to strike a balance between political engagement and firm legitimacy and flexibility by avoiding overreliance on a single political party or actor to reduce political risk exposure. A firm needs to treat political embeddedness as a capability that needs to be managed, not just a condition to endure.

Finally, managers should consider firm size as an enabler, not a guarantee for success in a foreign market. Large firms should invest in mechanisms that sustain dynamism (decentralised sensing, cross-border reconfiguration teams) and develop authentic, context-sensitive nonmarket strategies. MNEs should prioritize building specific dynamic capabilities (R&D with targeted collaborations) before scaling international exposure (Shirodkar et al, 2024). Also, organizations should avoid relying on political experience alone. Instead, hire or develop politically experienced managers as part of a bundled capability, combine with nonmarket strategy competence (procedures for sustained stakeholder and regulator engagement) with organisational investments in DCs (decentralised sensing, rapid reconfiguration teams, host-market learning routines) (Yarbrough, Abebe, & Dadanlar, 2017; Xu, & Hou, 2024).

5.5 Limitations and Future Research

The conclusion of this research is not without limitations. The study collected data using interviews by focusing on multinational corporations operating in Nigeria either as a subsidiary firm or having their headquarters or operations emanating from Nigeria. It also used a purposive sampling technique to select public relations officers, export managers, managers, and heads of departments of these MNE corporations in Nigeria. Thus, the selection scope of these organizations and respondents in Nigeria may have impacted the research findings and conclusions. It is recommended that future research on the subject matter focus on using both qualitative and quantitative data analysis and do a cross-country (African Nations) analysis of the impact of nonmarket strategies on firm dynamic capabilities by paying attention to the variables of this study.

Also, the study focuses on and selects multinational corporations that are present in other countries without looking at small and medium-sized organizations and their

operations in Nigeria. The study findings showed us that lobbying and political stakeholders' engagement are essential for successful business operations in Nigeria. Small and medium-sized organizations may lack adequate resources to lobby and continuously engage nonmarket stakeholders for favourable policy influence and legitimacy. Thus, future research can also focus on examining the impact of nonmarket strategies and firm dynamic capabilities on small and medium-sized corporations in Nigeria and other emerging markets.

Engagement and non-engagement approaches of nonmarket strategies have always been about numerous factors such as the host market political landscape, the host-home countries' cross-border regulatory structure, and the organization's overall objectives for the international market. The analysis of each of these factors determines whether an organization will decide to engage or not to engage with the political structure in foreign markets. Therefore, future research will benefit from a quantitative analysis of the engagement and non-engagement approaches of nonmarket strategies that examines the strategic role of firm dynamic capability on firm internationalization success in emerging African markets. Emphasis should be placed on small and medium-sized organizations that do not have the advantage of slack resources but still manage to remain relevant and engage nonmarket stakeholders in host countries.

Finally, future empirical work should continue exploring size with DCs and nonmarket strategy interactions across institutional contexts. Also, empirical work should test interaction models (political experience with nonmarket strategy and DCs) across institutional environments to identify boundary conditions.

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APPENDIX'S

APPENDIX 1

Interview Questions

SCHOOL OF ECONOMICS AND MANAGEMENT

UNIVERSITY OF MINHO

BRAGA, PORTUGAL

INTERVIEW GUIDE

Dear Interviewee,

This conversation is within the scope of a research I am working on and is a part of the requirement for the award of a Ph.D in Management degree, at the University of Minho. The research topic focuses on **Managing International Nonmarket Risk: The Role of Firm Dynamic Capabilities**.

I would like to ask some questions regarding how your organization is managing nonmarket strategies, particularly how they are engaging with the host government political structure (Politicians) in Nigeria. I am interested in your opinion, description of events, and personal experience in dealing with the host government's political structure (politicians).

The interview does not have a planned schedule; it will depend on how the conversation unfolds. It would be important for me if you could authorize me to record the interview in audio format, to capture all the information and for further analyses and accuracy purposes. The data collected is exclusively for the present investigation. Interviewees names, as well as the firms, will not be mentioned anywhere in the research report. The data will be encoded so that the principle of anonymity is preserved.

Many thanks in advance for your anticipated cooperation.

I kindly request your permission to record the interview in audio format. This will ensure that all details are accurately captured for further analysis.

- Start recording when allowed-

- End of interview –

INTERVIEW GUIDE

1. **General/Company Context**

- Your role at the company and how long you have been working at the company?
- Company business activities | **Headquarter of the business | Large small or medium | In which foreign market it has business in**
- Age and number of current employees, annual turnover

2. **International Marketing Strategy**

- Since when is the company present in the Nigerian market?
- How did the company enter the Nigerian market (merger, acquisition, franchising, exporting, entering into a new frontier etc.)?
- What is broadly speaking, the strategy of the company in Nigeria?
- How would you describe the Nigerian market business policies vis a vis your organization business operations

3. **Nonmarket (Political) Stakeholders <u>Engagement Approaches (RQ 1)</u>**

- Does your firm engage with political stakeholders or regulators in Nigeria **and in what ways do you proactively engage with them?**
- If yes, what kind of engagement approach does your organization adopt?
- Do you think the engagement approach with politicians and local authorities improves your organization business performance in Nigeria?
- What benefit does your organization derive from engaging with host political actors?
- Does your organization believe in relational strategy (building relationship) with host government nonmarket stakeholders (Politicians/Regulators) for favourable future transactions?
- **Can you describe how your organizations keeps relevance or are known by the general public (Give back to the society)**

1. **<u>Anticipative Strategies</u> RQ3**

- Please describe for us how your organization tries to anticipate policy changes in Nigeria and how you address these changes using firm capabilities.
- **Tell us how your organization reacts or responds to changes in policies using firm capabilities in Nigeria.**

- **Between <u>Relational</u> & <u>Transactional Strategies</u> which does your organization invest mostly in and why? (RQ 5)**
- **What is your perception about building relationships with nonmarket actors or regulators (politicians) in Nigeria?**
- Has there ever been a time when it looks like the engagement approach (building relationships) with politicians in Nigeria is a wrong decision and what makes you think so?
- **Has your organization ever engaged nonmarket stakeholders or (politicians) to influence an important business policies to the favour of the organization (transactional strategy) and how did you influence this policy?**

4. **<u>Political Uncertainty/Nonmarket Risks</u>**

- Describe the belief of your firm management team (CEO, MD etc.) with regards to engaging nonmarket actors and regulators for favourable business policies in Nigeria
- How does your organization handle or respond to political uncertainty or risks embedded in Nigeria.
- Do you think your organization size and management political experience have any influence in deciding to engage with politicians in Nigeria? (**RQ 4**)
- What is your take regarding the political uncertainty in Nigeria and do you think it is good for businesses and if not why?
- **Explain to us how this political uncertainty or risks affect organizations business operations and strategic planning in Nigeria?**

5. **<u>Firm Capabilities</u> RQ2**

- **How does your organization research the market for new innovative business opportunities or information?**
- Does engaging political actors in Nigeria help in information or opportunity gathering?
- **In what ways does your organization recognize and seize potential opportunities in the market?**
- Tell us the processes in place that allow your organization to quickly identify and seize new opportunities in the market?
- Describe how your organization captures and reconfigures capabilities in the host market?

- What role does political actors engagement play in capturing or reconfiguring business opportunities in Nigeria

OPERATIONAL DEFINITION OF KEY TERMINOLOGIES

- **Relational Strategy:** This is an intentional way in which organization maintains and keep relationship (e.g. keeping politicians' friendship) with key nonmarket stakeholders for favourable future business transactions.

- **Transactional Strategy:** This is a one-off business transactions that organization adopt to influence or solve pertinent government policies (pay off politicians) that may affect organization business operations and survivals in the host market.

- **Engagement Approaches:** This refers to the different ways in which organizations can engage host market politicians and authorities (nonmarket stakeholders) for favourable business policies such as: lobbying, campaign contributions, constituency building, sponsoring CSR initiatives/community development project, setting up political action committee (PAC), donations to political parties, etc.

- **Nonmarket Risk/Political Uncertainty:** This refers to risks coming from nonmarket stakeholders (Politicians) and regulators in Nigerian market resulting in different policies that may affect business operations and survivals of organizations.

- **Anticipative Strategies:** This refers to how organizations anticipate potential policies changes or how organizations gather information that politicians are going to make changes to certain business policies that may affect an organization's operations

- **Firm Capabilities:** This refers to how organizations uses and deploys its employees, processes and technology to meet the needs of the organizations.