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The antecedents of MNC political risk and uncertainty under right-wing populist governments

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Abstract
Right-wing populist parties who obtain governmental power rely on ethno-nationalist mobilization for domestic legitimacy. They may therefore adopt policies that explicitly seek to disadvantage foreign multinational corporations (MNCs). Understanding what factors increase a foreign MNC's exposure to adverse action by right-wing populists is an understudied question in the field of international business policy. We investigate this question in post-socialist member states of the European Union, which constitute extreme cases of right-wing populist government power. As such, they constitute a fertile ground to further our theoretical understanding of the distinction between calculable political risk and incalculable political uncertainty. Through a case study-based theory-building approach, which draws on existing literature and interview data, we derive a series of propositions and develop a research agenda. We identify factors at the country-, sector-, and firm-level that influence exposure to adverse policy action by host-country governments. We explore when political risk may turn into political uncertainty and provide suggestions to foreign MNCs operating in right-wing populist contexts on how to reduce this uncertainty. Our study provides insights for policy makers too, who should be aware of the impact political shifts towards right-wing populist governments have on political uncertainty for foreign companies.

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INTRODUCTION

Recent developments in world politics and economics have challenged traditional approaches to political risk in international business. While 'traditional' approaches mainly focused on risks stemming from governments that operated in fairly stable and thus predictable political conditions (e.g., Henisz, 2000a, b), the twenty first century so far has seen a level of political instability and upheaval that increasingly challenges the core tenets of traditional approaches. To make sense of the current conjuncture, scholars are drawing on the distinction between political risk and political uncertainty, with the latter capturing situations where it is hard to anticipate and calculate the risk stemming from government actions (Benischke, Guldiken, Doh, Martin, & Zhang, 2022). Despite the recent interest in situations of extreme political risk – or political uncertainty – we still know very little about the antecedents of this phenomenon and its impact on firms' coping strategies. In this paper, we aim to help fill this gap.

Populists who obtain governmental power constitute a particularly revealing case for scholars of international business policy and political uncertainty. Such governments oftentimes do not shy away from adopting unorthodox economic and business policies, which may hurt foreign multinational companies (MNCs) present in these countries. Ethno-nationalist mobilization and the fight against foreign incursions – cultural, political, as well as economic – are core concerns of right-wing populist parties (Bonikowski, 2017; Butzbach, Fuller, & Schnyder, 2020; Rodrik, 2018). In some cases, MNCs can become entangled in these unwelcome incursions, as we can see with right-wing populists in very different countries, from Trump in the US (Baltz, 2021) to Brexit in the UK (Feldman & Morgan, 2021a, b).

From a business perspective, managing political risks is broadly defined as including "factors such as instability and direct violence or constraints on operations such as expropriation, discriminatory taxation, public sector competition and the like" (Kobrin, 1979, p. 67) – stemming from such governments are particularly challenging due to the unpredictable nature of populist government's policy making (cf. Hartwell & Devinney, 2021). As such, countries under right-wing populist governments can be considered cases where political risk turns into political uncertainty. Indeed, while the extant literature assumes political uncertainty mainly originates in actions outside the formal branches of government (Benischke et al., 2022), we argue that populist governments can behave in unpredictable and erratic ways, so that risk emanating from the official branches of government turns into political uncertainty. Populist governments are unpredictable for businesses in the sense that they sometimes go against business elites in their quest to defend 'the people.' The United Kingdom's ex-Prime Minister Boris Johnson's 'F**k business' expletive summarizes this attitude (Anderson, 2019). Indeed, when right-wing populists enter government, they may adopt policies discriminating against foreign companies, including not only 'traditional' measures creating liabilities for foreign firms – such as public procurement or subsidies favoring domestic companies (Mezias, 2002) – but also more radical discriminatory policies such as unexpected special taxes on foreign operations in the country, or even forced buyouts (Sallai & Schnyder, 2021). Importantly, such measures are often adopted without following due legal process and consultation, which makes these actions unpredictable and a source of political uncertainty, not just risk.

Conversely, there may be limits to discriminatory right-wing populist government policies against foreign companies even where the governing party vocally denounces foreign economic influence. Thus, right-wing populists may use ethno-nationalist mobilization as a rhetorical device during election campaigns, with no intention to turn rhetoric into policy once in government. This may be particularly the case where economies governed by right-wing populists rely heavily on inward foreign direct investment (IFDI) for investment and technology transfer and cannot be easily replaced by domestic companies (see Nölke & Vliegenthart, 2009).

Right-wing populist governments' impact on foreign MNCs is hence complex and multifarious. Yet, scholarship on how populist business policies affect foreign companies remains scarce (Hartwell & Devinney, 2021). While studies have investigated how MNCs deal with unpredictable and extreme political risk – including political violence – political risk scholars rarely investigate the country-level determinants of business policies that provoke such political uncertainty. Specifically, the policy tools populist governments use to bring the economy under control are increasingly well studied (see Sallai & Schnyder, 2021). However, such populist business policies affect different MNCs to different extents and in different ways. Understanding what determines populist business policies and hence which MNCs face particular risks and uncertainties are therefore theoretically and practically important questions for the field of international business policy (cf. Lundan, 2018). We aim to help fill this gap by trying to answer the following research question: What are the antecedents of an MNC's exposure to adverse policies by a right-wing populist host-country government and how can MNCs mitigate them?

This paper makes two main contributions to the political risk literature and broadly to the international business field. Firstly, we answer recent calls to take contexts seriously for theory building in management research (Bruton, Zahra, Van de Ven, & Hitt, 2021; Jackson, Helfen, Kaplan, Kirsch, & Lohmeyer, 2019) by investigating the hitherto largely understudied context of right-wing populism and democratic back-sliding in post-socialist member states of the European Union. As such, we focus on 'extreme cases' of right-wing populist governments. Research designs based on selecting cases on extreme values on the independent variable – in our case populist policies – are particularly powerful for a range of discovery-related research goals (Seawright, 2016). Our country selection is justified by the fact that Hungary and Poland are, by many accounts, the most strongly right-wing populist-dominated countries in Europe.

Secondly, given the small number of political risk studies on populism, and a lack of theory and empirical evidence on the phenomenon at hand, we adopt a case study theory-building approach (Eisenhardt & Graebner, 2007). This allows us to investigate a broad range of factors potentially causing political uncertainty where we theorize and develop several important propositions.

Our theoretical contributions to the corporate risk literature consist of specifying country-, sector-, and firm-level factors – and interactions among these levels – that determine the probability of a foreign MNC facing political uncertainty in a host country dominated by right-wing populists. Going beyond existing studies that see political risk as associated with the formal branches of government and political uncertainty with actors outside the formal branches of government, we show that in right-wing populist countries the branches of government themselves can become a source of political uncertainty. Our study further contributes to theory by providing an integrated multi-level model, which specifies the country-, sector-, and firm-level conditions under which foreign MNCs are more likely to be exposed to political uncertainty rather than just political risk.

The paper is structured as follows. The "Literature: Political risks under populism" section reviews the literature on political risk under populism, then we explain our methods ("Methodology" section). The "The Antecedents of Right-Wing Populist Political Risk and Uncertainty" and "Discussion and Conclusion" sections develop propositions at the country, industry, and firm levels. The final section discusses the theoretical contribution and practitioner implications as well as avenues for future research.

LITERATURE: POLITICAL RISKS UNDER POPULISM

The political risk literature in management studies and international business has a long pedigree. The most recent wave of studies has been dominated by the institutionalist paradigm, which focuses on risks emanating from differences in institutional conditions for doing business in MNCs' home and host countries (Hartwell & Devinney, 2021). Within this approach, the so-called political institutions approach (PIA; Henisz & Zelner, 2003; Stevens, Xie, & Peng, 2016) focuses on the constitutional setup of a country's political system as a moderator of how likely adverse government action towards foreign companies may be. Studies investigate the extent to which a country's government can credibly commit to refrain from adopting policies that adversely affect companies' investments either directly (through expropriation) or indirectly (through taxation and other policies) (Henisz, 2000b). A key assumption of this important stream of research is that while policies can change, the political institutions in question themselves are relatively stable.

The political risk literature has increasingly pointed out that this assumption of institutional stability does not always hold, especially in emerging market contexts. Consequently, the distinction between calculable and quantifiable *political risk* and unknown and unquantifiable (Knightian) *political uncertainty* has been introduced (López-Duarte & Vidal-Suárez, 2010; John & Lawton, 2018; Benischke et al., 2022). There is emerging evidence that firm strategies and managerial behaviors differ markedly in situations of risk and uncertainty. Thus, Benischke et al. (2022) find that CEO's wealth at risk influences their decision-making in terms of entry mode under conditions of political risk, but not under conditions of uncertainty; presumably because in the latter case the impact of the decision on personal wealth is difficult to assess. Political uncertainty results from political conflict and instability (Witte et al., 2020), wars and revolutions (Oh & Oetzel, 2017), and more generally radical political change or upheaval (Oh, Shin, & Oetzel, 2021; Schnyder & Sallai, 2020). In such contexts of political uncertainty, focusing on institutional structures to understand the threats to

MNCs may not be particularly helpful. Instead, focusing on more volatile governmental business policies becomes key (cf. Clegg, 2019; John & Lawton, 2018).

While scholars increasingly acknowledge the importance of the distinction between political risk and political uncertainty, many questions remain unanswered. Thus, the relationship between political risk and political uncertainty has only recently been empirically investigated (Benischke et al., 2022). For instance, we still know very little about the dynamic relationship between risk and uncertainty and how one can morph into the other (e.g., whether there is a necessary sequential link between the two, cf. Benischke et al., 2022). More generally, we know very little about the *antecedents* of adverse government action to MNCs in such contexts. As Stevens et al., (2016, p. 947) put it with reference to the PIA approach: "political institutions may explain why Russia can be a riskier place to invest than Germany, but such macro-level institutions provide little explanation for why a particular industry (or even a specific MNC) would be singled out for intervention within Russia or within Germany." Similarly, existing theories like the PIA approach are helpful to understand a government's opportunity structure to intervene in the economy against a given firm's interests, but simply assume that a government not only has the *potential* but also the *desire* to intervene (Stevens et al., 2016). Furthering our understanding of the antecedents of adverse government intervention becomes particularly important as we move from a situation of political risk to one of political uncertainty.

More specifically, political uncertainty is mostly conceptualized and operationalized as sporadic and rare events of political violence emanating from actors outside the official branches of government (Benischke et al., 2022; Witte et al., 2020). It is thus reduced to just one (extreme) country-level dimension of political instability. Yet, non-quantifiable Knightian political uncertainty can take other forms than the extreme form of violent conflict and in the context of right-wing populist governments, it can emanate from the branches of government themselves. Here, the scholarship that focuses not so much on the firm-level perspective on political risk/uncertainty, but rather investigates the source of risk/uncertainty, namely the host government's political preferences, interests, and strategies, can add important nuance to our understanding of political risk and uncertainty. We adopt an international business policy approach to help shed light on the important issue of government motivation and incentives to adopt policies adverse to MNCs.

At the firm level, studies focusing on political strategies of coping with various types of political risks have started making some headway regarding how political strategies and capabilities may have to adapt depending on the type or extent of political risk/uncertainty present in a given environment (Oh & Oetzel, 2017; Schnyder & Sallai, 2020). For instance, James and Vaaler (2018) find that in situations of 'policy instability,' foreign companies co-investing in projects where the state holds a minority stake can help mitigate investment risk. Yet, when 'policy instability' becomes more pronounced (i.e., turns into political *uncertainty*), political strategies relying on market-based political capabilities become less effective, while locally developed relational political capabilities – such as political ties – become more important (Dang et al., 2020; Sallai & Schnyder, 2021; Oh & Oetzel, 2017). Yet, when political change becomes radical – including regime change – a firm's political ties with the host government may lose their value or even turn into a liability (Darendeli & Hill, 2016; Sun, Doh, Rajwani, & Siegel, 2021; Schnyder & Sallai, 2020; Witte et al., 2020). Despite this research, very few studies explicitly investigate political strategies and capabilities under conditions of political uncertainty and how these differ from those that are effective in situations of risk.

Right-wing populist governments constitute a promising empirical setting for investigating the nature of political uncertainty. Right-wing populist countries can be considered cases of 'institutional volatility' (Hartwell, 2018) or 'upheaval' (Schnyder & Sallai, 2020) that go beyond 'regular' political risk. Indeed, in right-wing populist regimes in the twenty first century, the political risk not only stems from the possibility of a government adopting adverse policies within a stable institutional framework, but also from hard-to-anticipate government actions that fundamentally transform or degrade the liberal-democratic institutional framework itself. Hartwell and Devinney (2021, p. 6) argue that institutional uncertainty itself is "part of the purposeful strategy of the populist parties and politicians." Therefore, "political risks, political volatility, and political uncertainty" are "driven from above by a shift in institutions themselves" (ibid.) Such a situation creates "extreme uncertainty," which makes it difficult to predict the type of government intervention companies should expect based on any formal model or theoretical assumptions.

From the perspective of MNCs, the nature of populist governments is such that their intentions and strategies are hard to align with traditional understandings of government intervention in the economy. Right-wing populism is anti-elite and nativist in orientation, and its opposition against outside groups and forces is especially important (Brubaker, 2017). Right-wing populism's rhetorical veneration of "the people" and of the "homogeneous, democratic nation state" is strongly focused on protecting, supporting, and promoting majority cultures, religions, ethnic and racial groups – in their view, minorities and 'outsiders' are threats to the nation that must be feared and opposed (Pelinka, 2013). In some instances, MNCs are placed in the category of 'outsiders' by populists and become targets of adverse right-wing populist state intervention. Yet, we still know very little about the factors that increase any given MNC's or sector's likelihood of being exposed to adverse populist government intervention. By seeking to understand the motivations and goals of populist governments and – as a result – what industry and firm-level characteristics may make MNCs particularly exposed to adverse governmental action, we contribute to our understanding of political uncertainty. Specifically, our study is based on the assumption that beyond the extreme case of political violence, right-wing populist policies can also constitute a source of political uncertainty (Sallai & Schnyder, 2021). Therefore, political uncertainty is a more complex phenomenon than has been acknowledged in the literature to date.

METHODOLOGY

Given the relative lack of prior research on this topic, we turn to an inductive, case study approach to further our understanding of political uncertainty. Inductive theory building based on a case study is a widely used approach in international business (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Eisenhardt, Graebner, & Sonenshein, 2016; Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011, pp. 751–752).

As a case, we have chosen right-wing populist governments in East Central Europe. This region is an "extreme case" (Eisenhardt et al., 2016, p. 1118; Seawright, 2016) for our subject. East Central European countries are among the European countries with the strongest representation of right-wing populist parties in government (our independent variable). Indeed, Fig. 1 shows that ranked by the vote share of right-wing populist parties, Hungary and Poland occupy the top 2 spots in Europe. There is a near consensus in the scholarly literature that the Fidesz government led by Hungarian Prime Minister Viktor Orbán and the Polish PiS government led by Jarosław Kaczyński are textbook examples of populism, which at its core involves an "appeal to 'the people' and a denunciation of

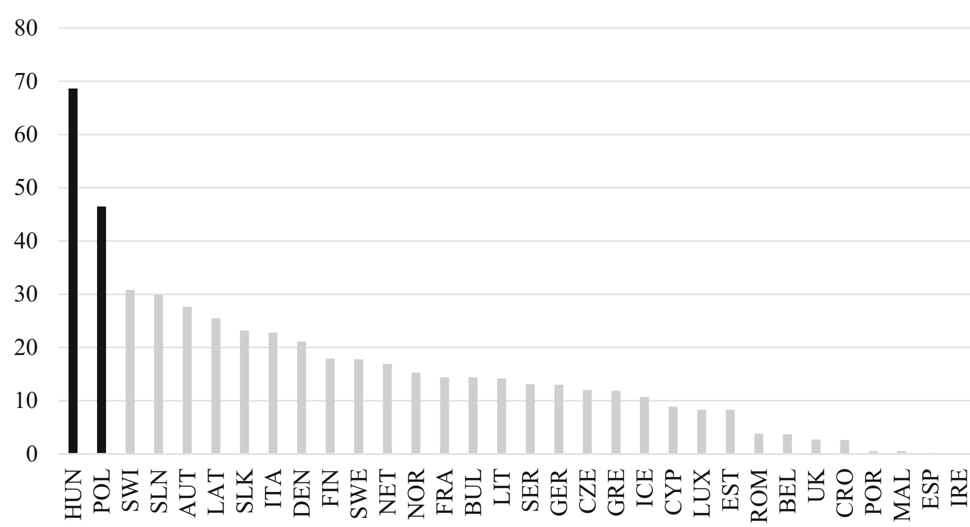

Fig. 1 Total vote share (%) of right-wing populist parties in national parliament. *Notes* cumulated vote share for all right-wing populist parties in each national parliament *Source* Timbro (2018)

'the elite' " (Mudde & Kaltwasser, 2017, p. 5). In this vein, Orbán has repeatedly denounced 'Brussels elites,' 'Brussels bureaucrats,' and 'the Soros network' in the name of the 'Hungarian people.' Kaczyński views his supporters as 'true patriots' who defend the interests of 'the Polish nation' and his political opponents as 'Poles of the worst sort,' enemies of the people.

Correspondingly, tensions between right-wing populist governments' anti-FDI inclinations and the country's reliance on foreign capital may be particularly acute in these two countries. Of course, an extreme case is not necessarily representative of the general population (i.e., relationships between right-wing populist governments and foreign business), as is more often the case with random sampling (Eisenhardt & Graebner, 2007, p. 26). Instead, the selection of an extreme case allows us to investigate a new phenomenon – typical for grand challenges – most clearly, for example based on the media coverage that it triggers (Eisenhardt et al., 2016, p. 1118).

To guarantee the validity and reliability of our data, we resorted to the usual procedures in qualitative case-study research. Thus, triangulated observations by combining multiple data collection methods, such as interviews, document sources and literature. We also used multiple investigator teams to conduct the interviews, instead of individual researchers (cf. Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Eisenhardt et al., 2016). Finally, we compared emerging hypotheses to the extant literature, to reflect upon potential conflictual findings and to develop more creative propositions (Eisenhardt, 1989, pp. 544–545).

Although there is no literature that specifically focuses on our research question, we can draw on extant empirical literature on the policies of right-wing populist governments in Eastern Europe in political science and comparative or international political economy. This literature only touches in passing on the effects of these policies on foreign companies; it nevertheless is a rich source of evidence complementing our own empirical research. Moreover, by drawing on this literature that has mostly been developed by scholars based in central Eastern Europe, we are also contributing to the reduction of the bias in favor of theories overwhelmingly developed based on the management experience of the United States and Europe. Therefore, we are replying to the recent call for the development of "indigenous theory" (Bruton et al., 2021). Indigenous theory is particularly important for frontier topics that have not been sufficiently addressed in the existing literature and that require unusual research questions.

Our novel interdisciplinary approach combining management studies with political science/political economy also demonstrates the need for multilevel theorizing to tackle the research challenge at hand. Our comprehensive survey of indigenous scholarship forcefully demonstrated that the factors mitigating political risk and uncertainty for foreign companies caused by the policies of right-wing populist governments in east Central Europe are related to the macro (country), meso (industry) and micro (company) levels. The advantages and the need for multilevel theory building have been established in management studies for a long time ago (Klein, Tosi, & Cannella Jr, 1999; Hitt, Beamsih, Jackson, & Mathieu, 2007; Mathieu & Chen, 2011). Yet, most studies in this research tradition still focus on linking the micro and the macro level only, whereas there is very limited work that integrates the meso level (social groups, parties, industries) in management studies (Kim, Wennberg, & Croidieu, 2016). In our case this is indispensable. While our dependent variable (political uncertainty for foreign companies caused by right-wing populist government policies and strategies to tackle them) is on the firm level, the independent variables are looking at variation regarding this risk relating to the country, sector, and company levels. Our research question is: What are the country-, industry- and firm-level characteristics that determine the political risk and uncertainty foreign MNCs face from right-wing populist government policies and what strategies help them to cope with them?

The indigenous political economy/political science literature strongly focuses on the macro-political and economic context or on specific sectoral policies and does not cover the micro/company level. Correspondingly, we have to rely on interviews only for the micro level. The study is based on 44 interviews with representatives of Western European and American businesses and business associations operating in Germany (and having subsidiaries in Hungary or Poland), Hungary, and Poland. The interviews were carried out by three researchers either in-person or online via Zoom or Teams between December 2020 and August 2022. Interviews lasted between 50 min and 2 h, and were conducted in German, English, and Hungarian. Interviews have been recorded, transcribed, and translated by the researchers. The interview guide can be seen in "Appendix". The case selection criteria for participants were defined by the focus of our research question. We were looking for participants that worked at or with Western European and American multinational companies with local representation or subsidiaries in either or both of the focus countries Hungary and Poland. We used a snowballing technique to identify respondents.

We employed various measures to reduce the likelihood that our interview data could be compromised by validity or reliability concerns (Berry 2002; Kvale & Brinkmann, 2009). In qualitative interviews, the issue of reliability relates to some practical aspects of interviewing, such as the wording of interview questions, establishing rapport with the interviewees and considering any potential 'power relationship' between the interviewer and the participant. We sought to strike the right balance of trust and rapport, and we sought to establish credibility with our interviewees in order to deal with the challenge of impression management (Ma, Seidl, & McNulty, 2021). We relied on the method of 'member checking' by keeping in regular contact with the participants throughout the data collection and analysis periods allowing us to verify and double-check certain interpretations and themes resulting from the analysis of the data (Curtin & Fossey, 2007). We completed 18 interviews with respondents from Germany with experience with managing operations in Poland and Hungary, 24 in Hungary and two in Poland. Out of these, 28 were with companies, ten with NGOs and civil society organizations, and six with experts familiar with the question at hand (see Table 1).

THE ANTECEDENTS OF RIGHT-WING POPULIST POLITICAL RISK AND UNCERTAINTY

Following Stevens et al. (2016), in a first step, we seek to understand not just the *potential* of right-wing populist governments to intervene in the economy, but rather their *desire* to do so. To answer that question, we need to ask: What are the policy priorities of right-wing populist governments? Research on right-wing populist governments in central Eastern Europe highlights two priorities that are of particular importance for foreign companies. First, they seek to entrench their political rule. While maintaining power may be a general government preference, a distinguishing feature of right-wing populist governments is their disregard for the liberal concept of the rule of law in the pursuit of that goal (Bugaric & Kuhelj, 2018; Spittler, 2018). This may also have repercussions for foreign companies (Sallai & Schnyder, 2021). Arguably, the political uncertainty foreign companies are facing is particularly high when right-wing populist governments' respect for the rule of law is particularly low ("Policies Aimed at the Entrenching of Political Control" section). Within the European Union, a limited respect for the rule of law increasingly has led to sanctions against the countries governed by right-wing populists, most

Table 1 List of interviews

Respondent's sector	Type of interviewee (number of interviews)	Year of interviews (number of interviews in that year)	Number of total interviews in the sector
Manufacturing	Director (7), CEO (6), Managing Director (3), Manager (1)	2019 (3), 2020 (2), 2021 (10), 2022 (2)	17
Chemical and pharmaceutical	Director (2)	2021 (2)	2
ICT	CEO (3)	2021 (1), 2022 (2)	3
Telecoms	Vice-President (1), Data Scientist (1), Director (1)	2021 (2), 2022 (1)	3
NGO	Manager (1), Director (3), President (1), Managing Director (1), CEO (2), Chief Adviser (1), Chief Economist (1)	2019 (1), 2020 (2), 2021 (4), 2022 (3)	10
All other sectors: consulting, HR, media	CEO (2), Editor in Chief (1)	2021 (1), 2022 (2)	3
Other experts in the field	Retired Ambassador (1), Professor (1), Journalist (3), Retired Minister (1)	2021 (1), 2022 (5)	6
Total number of interviews		2019 (4), 2020 (4), 2021 (21), 2022 (15)	44

notably Hungary and Poland (Court of Justice of the European Union, 2022).

The second major political priority of right-wing populist governments – also a result of their ethno-nationalist mobilization – is the reduction of their country's foreign dependency (Naczyk, 2022). Therefore, MNCs may be confronted with policies aimed at the reduction of both political and economic dependency. Politically, right-wing populist governments in east Central Europe strive to reduce their dependency on Western Europe, particularly by intensifying the ties with ideologically aligned countries such as China and until recently Russia ("Policies Aimed at the Reduction of External Political Dependence" section). Economically, these governments may try to reduce the dependency of their country's economic model by reducing the role of exports and strengthening the role of domestic consumption ("Policies Related to the Export Sectors" section).

Policies Aimed at the Entrenching of Political Control

The recent economic history of Hungary and Poland is replete with cases where government policies have driven foreign companies out of the country or forced them to sell their assets to local companies.

In Hungary, some of these sellouts were dominated by acquisitions with direct linkages to the ruling party Fidesz and has been coined by Sallai and Schnyder (2021) 'forced buy outs' (or FBOs). Csillag (2017, p. 289) calls this type of political control "transit nationalization," i.e., a situation where a Hungarian firm with close connections to the governing Fidesz party '… is already operating in a given market, and a monopolistic situation can be created or strengthened through government regulation that drives out a competitor or weakens a position. A good example of this is the "reduction" of the habitat for the Spanish–Hungarian advertising company ESMA: referring to reasons of driver safety, a legal amendment makes it impossible for advertising companies to place advertisements on electric and telephone poles alongside public roads. Thus, its sales market collapsed, and it voluntarily transferred its ownership shares to its competitor MAHIR, a large advertising company in the family's hand.'

Most recently, Vodafone decided to sell its Hungarian telecoms subsidiary to Hungarian company 4iG and Hungarian state holding company Corvinus Zrt. This constitutes an explicit attempt by the government to extend its control over the politically important telecommunication sector in Hungary. Not only is a foreign MNC exiting the market, but also the takeover creates a 'national champion' better able to compete with the largest telecommunication company in Hungary, Magyar Telekom, which is a subsidiary of German Deutsche Telekom. 4iG stated that the merged company "can adequately represent national interests in the sector." The economic development minister Márton Nagy stated that the government's goal since 2010 had been one of "strongly increasing the proportion of Hungarian ownership in strategic industries, preferably to a majority. […] This government goal has already been reached in the bank, energy, and media sectors, and now a Hungarian company, with the backing of a state ownership, has a chance to step up as an important player in the telecommunications market as well" (Gross & Dunai, 2022).

Similar trends are noticeable in Poland in the media sector, where Poland's state-run oil company, PKN Orlen, acquired Polska Press from its German owner Verlagsgruppe Passau Capital Group. The Polish state has a 27.5% stake in PKN Orlen and the acquisition was seen as the direct outcome of the government's repeatedly announced ambitions to "re-Polonize" foreign-owned media companies. According to press reports, the members of the ruling, right-wing populist Law and Justice party (PiS) 'welcomed the takeover by the state-run company',[1] while others, such as Poland's commissioner for citizens' rights, Adam Bodnar, saw it as a historic moment showing that the authorities of Poland decided to 'take steps similar to those that we could previously observe in Hungary under Viktor Orban'.[2] One of our respondents referred to this case by saying that

> … [the] idea of taking a company like PKN Orlen, installing your placemen in it and using it as a machine to pump money into the party… the purchase of Polska Press really shocked me. The idea that you can have this German family-owned business, which has a network of local newspapers around Poland as they have in Germany and Kaczyński didn't like the fact that these newspapers were critical, not in favour [of his policies], and told PKN to buy Polska Press and turn it into yet another mouthpiece of the party (respondent 20).

On the other hand, the Hungarian government challenges MNCs in sectors that are of economic interest to parts of the ruling domestic elite, but not in export sectors, where domestic companies cannot compete (yet), due to technology constraints.

This is part of a conscious strategy that has been put into practice as a consequence of the defeat of Fidesz after their first period in power (1998–2002). The Fidesz leadership realized that the absence of a loyal Hungarian bourgeoisie previously had weakened its grip on society. Correspondingly, during its second rule (since 2010) it has cultivated a domestic business sector that is loyal to and dependent on protection by the government (Scheiring, 2020; Rogers, 2020, pp. 114–116). For example, the Hungarian state sold 49% of MKB Bank (nationalized in 2014) to Lőrinc Mészáros, the Mayor of the home village of the Fidesz leader in 2017, in a privatization tender that was described as "not truly public… pre-determined and politically favored" (Oellerich, 2022, p. 11). Foreign multinationals have been the victims of this strategy to stabilize right-wing populist rule, as have some of the weakest strata of society that are suffering under the workfare regime and public expenditure cuts (Ban, Scheiring, & Vasile, 2021, p. 11).

Arguably, this strategy was only possible because of the supermajorities won by the Fidesz-led government (Johnson & Barnes, 2015, pp. 552–554). Fidesz has gained this two-thirds majority during the 2010, 2014, 2018, and 2022 elections. Based on its supermajorities, the Fidesz government also has brought the judiciary under control (Karas, 2021, p. 9) – and the right-wing populist government in Poland is attempting to do the same as illustrated by its continuing clash with the EU. Such actions aiming to increase the power of the governing party by reducing checks and balances constitute a form of authoritarianization of the political system. From a political risk perspective, they constitute cases where political risk turns into political uncertainty, as the very institutions that the PIA considers to be constant, are being challenged and transformed – often unexpectedly, without consultation, and at relatively short notice (Sallai & Schnyder, 2021).

Orenstein and Bugarič (2022, pp. 183–184) argue that the strong centralization of political power and absence of checks and balances explains the extent to which Orbán's government "limits freedom of speech and assembly, curtails media pluralism, curbs the independence of the courts and civil service, and undermines protection of minorities." Yet, the degree of centralization of power, reduction of political pluralism, and removal of checks and balances on executive power – and hence the degree of "authoritarianization" of the polity – also has implications for the economic realm (Sallai & Schnyder, 2021). Indeed, some of the key mechanisms through which right-wing populist regimes extend political power into the economic realm and affect foreign companies – such as FBOs, predatory nationalizations, and the authoritarian use of economic regulation – require far reaching control over the political process to be effective. We therefore propose:

Proposition 1: A higher degree of authoritarianism allows populist governments to more easily favor political allies in domestic business and will therefore increase the likelihood of adverse host-country populist government action towards foreign multinationals.

While this proposition is in line with the PIA literature that considers an increasing number of veto points (or political constraints) to reduce political risk (Henisz, 2000a), we add contextual nuance by specifying under what conditions that feature of the political system will most likely generate real political uncertainty for foreign companies, namely when they are active in sectors where they compete with domestic firms.

Policies Aimed at the Reduction of Foreign Economic Dependence

Right-wing populist governments may not only seek to replace foreign companies with domestic competitors but they may also implement policies to reduce their dependence on inward FDI overall. An example is the "repolonization" of banking in Poland, a process that prominently involved the Polish Prime Minister, Mateusz Morawiecki. While discussions on repolonization of foreign banks remained lukewarm under the liberal Tusk government, the right-wing populist PiS government quickly intensified efforts after taking office (Naczyk, 2022, pp. 10–13). It instructed the state-owned insurance company PZU and the Polish Development Fund to take over the second largest Polish bank Pekao from Milan-based UniCredit. At the core of the matter were the "negative macroeconomic implications of foreign MNCs' decisions" (Naczyk, 2022, p. 11), for example regarding the limitation of lending to domestic companies.

Indeed, our interviews suggest that in Poland while the general climate for investors is still beneficial, due to the availability of skilled labor force and low wages, FDI is not particularly supported by direct government interventions. In fact – in contrast to Hungary – in Poland the anti-FDI political rhetoric is also supported by government policy since the government is not particularly supportive of inward FDI. As respondent 21 explained:

> …there are less and less incentives for them [MNCs] to come to the country. The [FDI-related] incentives are external from the government; they are not influenced by the government directly. Directly, the government does not support the new investors with tax deduction decisions or any such financial incentives.

We must understand this development in the context of a shift from an FDI-driven to a more consumption-led growth model. Authors in the macroeconomic growth model perspective in Comparative Political Economy (Baccaro & Pontusson, 2016; Ban & Adascalitei, 2020; Bohle & Regan, 2021) suggest that the main driver of domestic demand will affect the government's attitude towards MNCs. While ECE countries had adopted strongly export and FDI-led growth models following the end of state socialism (Nölke & Vliegenthart, 2009), more recently right-wing populist governments have been keen to replace the dependence on FDI as a source of growth with domestic sources and consumption in particular. Indeed, Orenstein and Bugarič (2022, p. 190) argue that right-wing populist governments in the region have started to replace the FDI-led growth model with a "new growth model based on conservative nationalism, natalism, workforce activation, taxation of certain foreign enterprises, sovereignty, and welfare chauvinism." Generous welfare policies encouraging childbearing seek to boost domestic consumption and halt the population decline due to low birthrates and emigration.

The more successful these policies, the less these governments will depend on IFDI from Western countries. While the turn away from an FDI-driven growth model is incomplete at best in both economies, we still can see the emergence of bifurcated economies with one part still FDI- and export-driven and the other increasingly renationalized and domestic demand-based, often with much political fanfare. The latter can best be observed in sectors catering for domestic consumption such as food and retail, where empirical evidence reveals a broad range of policies and informal practices that aim at driving MNCs out of the country (see Sect. "Policies Aimed at the Entrenching of Political Control"). Therefore, we propose that:

Proposition 2: A shift away from an FDI-led towards a more consumption-led growth model will increase the likelihood of adverse host-country populist government action towards MNCs that compete against domestic companies.

While this proposition points in the same direction as Proposition 1, they propose a different underlying mechanism and ultimate cause. Proposition 1 focuses on right-wing populist government's desire to entrench their power and stabilize their political rule by creating a domestic capitalist class, while Proposition 2 focuses on a shift in the country's economic model. These are hence two different antecedents of political uncertainty emanating from populist governments.

Policies Aimed at the Reduction of External Political Dependence

Foreign (Western) companies in countries governed by right-wing populist parties not only have to contend with the risk of being driven out of the market by domestic companies or more general anti-FDI policies due to shifting economic models, but also by companies from countries that populist host-governments consider ideologically more closely aligned with their "illiberal" (Laruelle, 2022) preferences. A case in point is the takeover of the British-controlled chemical firm BorsodChem by the Chinese firm Wanhua in 2011, by that time the largest industrial M&A project in all of ECE (Jacoby & Korkut, 2015, p. 507). Although the takeover of a 96% stake of the company ended as a friendly takeover, the owner (UK-based investment bank Permira) resisted the Chinese offers for a long time. This has forced the Chinese side to buy a substantial interest in the firm secretly. In doing so, it was supported by the Fidesz-led Hungarian government. The latter support went together with the Hungarian government's rhetorical strategy: Jacoby and Korkut state that "…the most visible Fidesz talk about [Hungary's] vulnerability decries the supposed *manipulation* of Hungarians by powerful Western MNCs and banks and by EU officials" (2015, p. 509, emphasis in original). Indeed, a growing number of studies show that the right-wing populist rhetoric of ECE governments may not be so much anti-FDI, but rather anti-Western-FDI. There is evidence that while right-wing populists seek to reduce Western investment, they actively seek investment from countries considered to be ideologically aligned; most importantly China and until recently Russia (Orenstein &

Bugarič, 2022). Therefore, rather than being anti-FDI, populist governments may specifically attract foreign direct investments from countries governed by like-minded forces in the sense of agreement on an illiberal political agenda.

The case of Russian investment in Eastern Europe is a crucial case to consider here after the invasion of Ukraine in February 2022. While the Hungarian government has resolutely defended its proximity to Russian economic interests and continues its reliance on Russian gas, Poland is one of the strongest supporters of Ukraine and resolutely rejects Russian influence (Harper, 2022). This hints at the strength of ideological alignment (in the case of Hungary), but also at its limits depending on specific historical circumstances (in the Polish case).

So far, attempts to 'diversify' away from a strong focus on FDI from Western economies have not substantively affected IFDI volumes. While there was a great deal of news coverage of diplomatic initiatives in that respect, activities on the ground have remained limited so far. If we compare FDI to the region from the European Union (particularly Germany) and the US with FDI from China, the latter still is dwarfed (Gerőcs, 2021, p. 17). Many of the infrastructure projects negotiated between China and Hungary failed, *inter alia* because of their incompatibility with EU public procurement rules (Rogers, 2019, p. 91). Still, the populist government has posited Hungary as China's 'gateway' to the EU, with investments in the chemical sector (Wanhua-BorsodChem, see above), telecommunications (the largest Huawei logistics and service center outside China), and solar power (Gerőcs, 2021, pp. 17–19). However, Chinese as well as Russian FDI into Hungary have not yet been able to decrease Hungary's dependence on European multinationals (Karas, 2021, pp. 10–11). Still, this may change if Chinese investment continues to increase. We propose:

Proposition 3: Right-wing populist governments will seek to decrease their dependence on FDI stemming from the Western liberal economies by designing policies aimed at increasing investments from other illiberal countries and increasing their interventions against Western MNCs where alternative sources of FDI from illiberal countries exist.

Policies Related to the Export Sectors

In contrast to sectors such as media and banking, at least Hungary (and to a certain extent Poland) remains dependent on multinationals in the most important export sectors, leading to the phenomenon of "the noisy policies of combatting FDI dependency… and the quiet politics of subsidizing FDI" (Bohle & Greskovits, 2019, pp. 1075–1077). This phenomenon can best be understood by comparing economic sectors.

Representatives of the German automobile industry praise the Hungarian government's strong support for their industry (respondent 1, respondent 2, respondent 24) and German business association representatives state that Hungary's Fidesz government 'has rolled out its red carpet for Germany's export-oriented manufacturers' (respondent 8). Yet, our interviews with German business representatives active in Hungary also indicate that the Orbán government has started to shift its unconditional support for manufacturing firms. Rather than supporting *any* manufacturing FDI in production, the government's preference has shifted to projects that bring higher value-added activities to the country, in particular through investment in research and development (R&D). Indeed, one interviewee at a medium size German company confirmed that they had started moving lower value-added production activities to countries further east – Romania and Bulgaria in particular (respondent 6). This was motivated not only by the increasingly tight Hungarian labor market, but also by the Hungarian government's more selective support for IFDI. Indeed, the interviewee explained that basic manufacturing processes such as assembling of machinery do not receive government support anymore, because the government has shifted to granting support for IFDI in areas of R&D instead (respondent 26). This hints at selective IFDI policies that will negatively affect the simple production-oriented stages of MNCs' value chain, while leaving higher-value added stages untouched. Even more restrictive are the policies of the populist Hungarian government in low technology sectors for domestic consumption such as tobacco, advertisement, retail services, agriculture, and energy distribution, where national control has been reestablished (Ban et al., 2021, pp. 9–10; Bohle & Regan, 2021, p. 91).

This hints at the strategic value of technology-intensive sectors, compared to a lack of such strategic importance in low-tech consumer goods sectors (cf. for the Chinese case Hsueh, 2016). These sectors may be of economically strategic value to the populist government because they contribute to national economic capacity building and development. In such strategically important sectors, the dependence on technology transfer from abroad provides foreign MNCs with a certain protection from adverse government policies. Indeed, a key reason why post-socialist countries in ECE have been very open to IFDI was that they crucially relied on foreign companies for technology upgrading (Nölke & Vliegenthart, 2009; Orenstein & Bugarič, 2022). Consequently, technology-intensive sectors can be expected to be more open to IFDI than sectors where reliance on advanced (foreign) technology is lower. Correspondingly, we propose

> **Proposition 4:** Multinationals in sectors with substantial inward technology transfer will benefit from supportive IFDI policies, while multinationals in sectors with little technology transfer, such as agriculture, advertising, and retail trade are more likely to be exposed to adverse host-country populist government action.

Firm-Level Determinants of Political Risk and Uncertainty and Coping Strategies

Political risk and uncertainty are not only related to features of the host economies and of the sector at stake, but they are also mediated by firm-level determinants. Firm-level factors also determine how well-equipped firms are to deal with political uncertainty. Given our focus on right-wing populist government policies, two types of features seem particularly relevant, namely the ability of the home government of the multinational to protect the latter against adverse policies ("Theoretical Contributions" section) and the behavior of the multinational with regard to adverse policies of right-wing populist governments ("Policy and Managerial Implications" section).

Political Capabilities and Home Government Support

The international business literature has identified several factors that determine the likelihood of an MNC facing expropriation in a host country. In the case of state-owned MNCs (SOMNCs) for instance the strength of the political relationship and the extent of host-country economic dependence on the SOMNC's home country have been found to play an important role in determining host-country expropriation risk (Duanmu, 2014). The more important the economic and political damage of state action against a foreign company in terms of relationships with the home country government, the less likely the host government will act against a foreign company. While the impact on political and economic relationships is self-evident and direct, the basic insight can be extended from SOMNCs to MNCs in general (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014). The more likely an MNC is to receive support from the home government when it faces adverse political action abroad, the less likely host-country governments are to take measures against that company.

Yet, the likelihood for an MNC to receive home country support will not only depend on country-level factors, but also on firm-level ones such as the extent to which the company has developed political capabilities (Sallai & Schnyder, 2021) and is engaging in corporate political activities such as lobbying to influence the home government's foreign policy (Kim & Milner, 2019). This can be illustrated with an example from Hungary. One interviewee mentioned an example that soon after the elections in 2010, Orbán expressed his desire to expropriate and nationalize the Hungarian subsidiary of a large German company. Company officials fought back by mobilizing members of the German Parliament (*Bundestag*), government ministries, business associations, the Chancellery, and members of the foreign service to put pressure on Orbán. Our interviewee described their strategy in the words: "No way! Hands off our company!" (respondent 10). In the end, by mobilizing the German state to defend its interests, this company was able to retain its profitable Hungarian subsidiary (respondent 10). Further research is needed to determine whether this dynamic applies to other foreign MNCs. The German-owned Hungarian television channel RTL Klub is popular, "highly critical of the government and available throughout the country" (Bajomi-Lázár & Stępińska, 2018, p. 258) – which has made it a target for Orbán. When the Fidesz government threatened the channel with an advertising tax that would have targeted the channel, "the company responded in full force" with hard-hitting coverage against the government and by submitting a complaint to the European Commission. After "warnings from Brussels and possibly from German political circles – the

Orbán administration ultimately backed down" (Bede, 2018).

Interviews further suggest that MNCs with large investment capabilities and sectoral power can gain political support more easily than their smaller counterparts. Respondents explained that there is a difference between 'big multinationals and the rest' claiming that '[name of large company anonymized] and [name of large company anonymized] they have their own channels, they can pick up the telephone and talk to Orbán', but there are only a few companies of this size and influence (respondent 5). Along these lines, an interviewee from another large German MNC remarks that 'diplomacy behind closed doors can be effective' in Warsaw and in Budapest (respondent 4).

We therefore posit:

Proposition 5: Foreign MNCs that have developed strong political capabilities to mobilize home country state power to defend their interests face a reduced likelihood of becoming a target of adverse host-country populist government action due to the possibility of home government intervention.

Proposition 5a: Home government protection will be particularly effective for MNCs from countries with strong economic and political relationships with the host country.

Proposition 6: Large MNCs with considerable investment capabilities and sectoral power and technology ownership advantage face a reduced likelihood of becoming a target of adverse host-country populist government action.

Loyalty Towards Right-Wing Populist Governments

From the business and society literature, we know that many companies seek to accommodate right-wing populists in exchange for market access and favorable conditions. Thus, several German manufacturing firms such as the car companies Audi and Daimler, the braking systems maker Knorr Bremse and the ceramics maker Villeroy & Boch have cultivated very close political relations with Prime Minister Viktor Orbán's Fidesz party (respondent 3). In return for their loyalty, these companies have received 'red carpet treatment' from the Hungarian government (respondent 8). However, our research indicates that a number of MNCs in Hungary and Poland have been more cautious when it comes to providing explicit loyalty to the right-wing populist governments in these countries. Perhaps it is no coincidence that MNCs such as Bertelsmann (which owns the RTL Group) and Deutsche Telekom (which owns Magyar Telekom), who have remained active in the Hungarian market, but maintained a greater political distance to Orbán and Fidesz, have had conflictual relations with the latter. Indeed, a sizable literature discusses the importance of patronage, political loyalty, and cronyism in populist regimes (Fabry, 2019; Magyar, 2016; Szanyi, 2019; Tóth & Hajdu, 2018). Yet, foreign MNCs provide varying degrees of "explicit loyalty," "implicit loyalty," "soft voice" and "loud voice" towards populists (Feldmann & Morgan, 2021a, b; Kinderman, 2021). Implicit loyalty is the "default strategy" for most firms: it entails "a passive stance of keeping one's head down." Explicit loyalty involves "public displays of loyalty to the populist project." Soft voice refers to "a more constructive form of engagement to influence or modify populist agendas" while loud voice "represents outright resistance to populists and involves taking a public stand by opposing the populist agenda (or key elements of it)" (Feldmann & Morgan, 2021a, b, pp. 9; 10).

As the subsidiaries of some foreign MNCs in Hungary have voiced loud opposition to the right-wing populist government, they have moved into the crosshairs of Orbán and Fidesz. In 2013, Deutsche Telekom's CEO was reportedly involved in a shouting match with Orbán, and in 2014, Origo.hu, one of Hungary's leading online news portals owned by Magyar Telekom/Deutsche Telekom at the time, published an expose of János Lázár, a close ally of Orbán. Orbán's government put pressure on Magyar Telekom to tone down origo.hu's critical coverage (The Economist, 2014). Soon, Origo.hu was sold to the businessman and member of the governing Fidesz party Tamás Szemerey and transformed from an independent and critical news source to a government cheerleader and propaganda machine (Kingsley & Novak, 2018).

This leads us to expect that the targeting of foreign MNCs by populist governments will at least in part reflect their degree of loyalty towards the populist regime. This implies:

Proposition 7: MNCs that are politically distant or speak out against the government will have an increased likelihood of becoming a target of adverse host-country populist government action

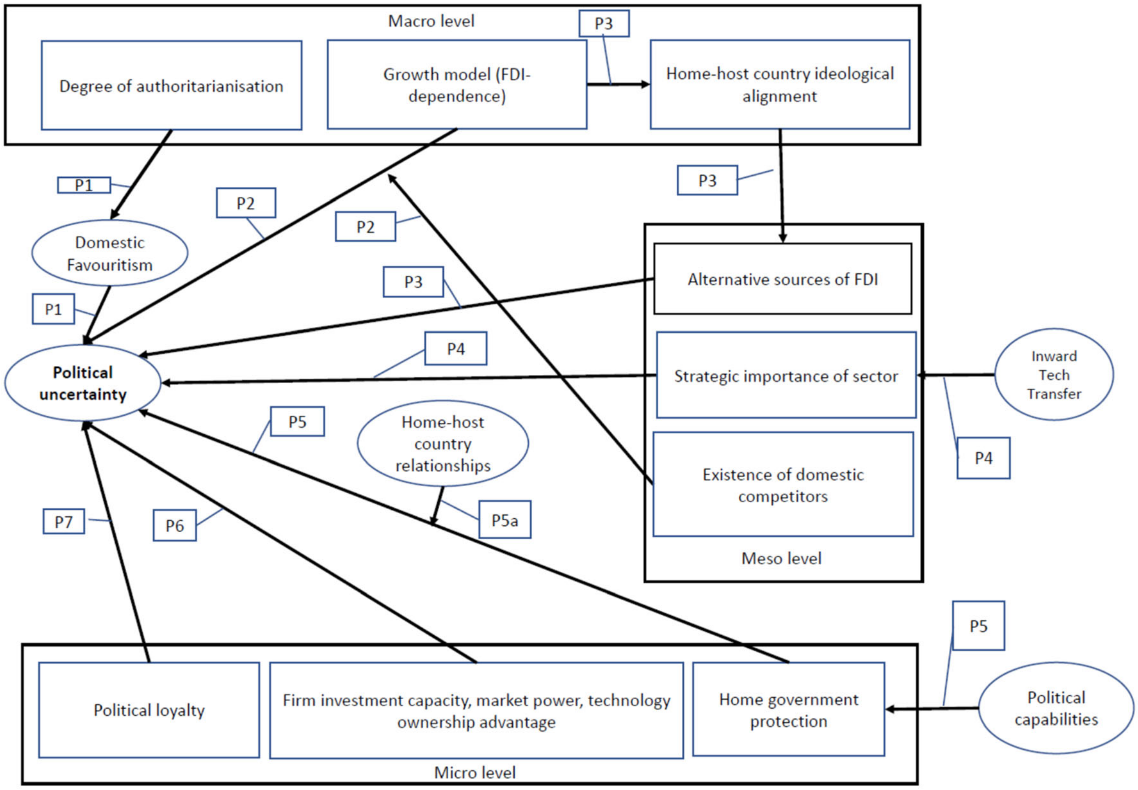

Fig. 2 The impact of micro-, macro-, and meso-level factors on political risk for MNCs in populist contexts

than MNCs which show implicit or explicit political loyalty toward the populist government.

Taken together, our propositions posit a series of relationships between the variables of interest that take the form of direct effects, moderation, and mediation, and explain how various micro-, macro-, and meso-level factors influence political risk for MNCs in populist contexts. Figure 2 summarizes these relationships and will help scholars to operationalize and test them in quantitative large-N settings in order to establish whether the available empirical evidence supports or does not support these claims.

DISCUSSION AND CONCLUSION

Our paper seeks to contribute to our understanding of political risk and uncertainty by identifying the antecedents of adverse policy actions against MNCs by right-wing populist governments. We developed and illustrated several propositions with regard to the determinants of political risk stemming from these policies, as well as how MNCs can develop strategies to cope with these uncertainties. In this section we discuss implications for theory, managers, and policy makers and build a research agenda for future studies in this area of research.

Theoretical Contributions

Recent scholarship has drawn attention to the importance of distinguishing political risk from political uncertainty and has shown that managerial behaviors and strategies to deal with one or the other differ markedly. However, we still know little about the link between political risk and uncertainty (Benischke et al., 2022). Our findings further our understanding of contexts of political uncertainty. We show that while political uncertainty is difficult to anticipate, focusing on the preferences and goals of the key source of uncertainty – namely host-country governments – allows us to garner insights into which type of MNCs are most likely to be exposed to political uncertainty in the context of right-wing populism. We identify factors at the country, sector, and firm-level that determine exposure to adverse policy action by host-country governments. Given that our study focuses on the specific context of right-wing populism, our specific findings may only claim validity in a middle range sense (Jackson et al., 2019, p. 34). Yet, two sets of more general theoretical contributions derive from our study. Firstly, we contribute to the political risk literature by identifying country-, sector-, and firm-level factors – and interactions among them – that explain when political risk may turn into political uncertainty. Secondly, we contribute to the international business literature by providing insights into the factors that expose foreign MNCs operating in right-wing populist contexts to political uncertainty and suggesting factors that reduce that uncertainty. Figure 2 above summarizes the postulated relationships.

Regarding political risk, recent studies have shown that the traditional deterministic approach to political contexts of MNC activity (e.g., Cavusgil, Deligonul, Ghauri, Bamiatzi, Park, & Mellahi, 2020) is insufficient to understand MNC strategies under conditions of political uncertainty (Benischke et al., 2020). These recent studies also investigate the relationship between political risk and uncertainty and find that political risk and uncertainty "are independent and can co-exist" (Benischke, et al., 2020, p. 2), but also acknowledge that "it remains unclear whether they are independent from each other, co-exist or whether they occur sequentially, with uncertainty (risk) gradually turning into risk (uncertainty)" (*ibid.*).

Here, our study makes a contribution by further developing "a more integrated approach […] that is needed to capture not only the threat of adverse policy change, but also the different underlying sources that can lead to that threat" (Benischke et al., 2020, p. 9). This leads us to propose a multi-level approach focusing on sources of risk and uncertainty at the national, sectoral, and firm levels. Taking into account these different levels allow us to theorize the conditions under which, in the extreme cases of right-wing populist governments in Central Europe, political uncertainty can emanate from the branches of government themselves.

We identify three country-level factors that influence the extent to which MNCs face political uncertainty rather than 'just' political risk: Firstly, the type of and changes to the political system (degree of authoritarianization). Secondly, the ideological alignment between host government and MNC home country; and thirdly, the dependence of the host government on FDI. Political uncertainty for foreign MNCs is particularly acute where there are domestic competitors or where alternative sources of FDI from ideologically aligned countries exist.

At the sectoral level, our study introduces into the corporate risk literature the notion of strategic importance of a given sector (Hsueh, 2016) and extends that concept in terms of inward technology transfer as a contributor to strategic importance, which we show constitutes a key determinant of political uncertainty. More specifically, in strategically important sectors the probability of political risk in terms of adverse policy change turning into political uncertainty is lowered compared to less strategically important ones.

At the firm level, our study also contributes to the literature on effective political strategies MNCs can use to shield themselves from political uncertainty. Previous studies have shown the declining value of political ties and other relationship-based political capabilities as political risk turns into political uncertainty and becomes extreme (Witte et al., 2017; Schnyder & Sallai, 2020). We know that locally developed relational capabilities may be better suited to deal with risky political environments than generic, market-based ones that MNCs transfer from the headquarters (Oh & Oetzel, 2017; Schnyder & Sallai, 2020), but their value drastically declines once political instability becomes extreme (Sun et al., 2021; Witte et al., 2017; Darendeli & Hill, 2016). Our study allowed us to identify political capabilities that may still work in cases of extreme uncertainty when even relational capabilities lose value. Thus, we find that seeking support from the home-country government constitutes a way that helps MNCs deal with political uncertainty. This may not necessarily be an entirely new political capability (see Duanmu, 2014), but our study is to the best of our knowledge the first one that links the mobilization of this capability to the contextual factor of political uncertainty. Home-country protection complements other coping strategies with political uncertainty found in previous research such as embedding in local communities through social expenditures (Darendeli & Hill, 2016).

We also identify firm-level characteristics that increase MNCs' ability to develop political capabilities to cope with uncertainty. Here, investment capacity, sectoral power, and ownership advantages due to unique technology are important factors that help companies cope with the threats of political uncertainty.

Finally, our finding that political loyalty to the host government constitutes another way of reducing political uncertainty, contributes to previous studies of companies' coping strategies with authoritarian regimes. Thus, Dieleman and Boddewyn (2012) found that Indonesian business groups under the Shuarto regime used different "buffering mechanisms" to make sure political ties did not affect the group's survival. While the mechanisms they identify relate to the organizational structure, publicly showing political loyalty to the host-country government may constitute a functional equivalent buffering mechanism.

Regarding the broader international business literature, our findings regarding the importance of ideological proximity between host and home countries also hints at potential implications of our findings for the emerging literature on *social influence* stemming from network equivalence and convergence of values and beliefs. Cannizzaro (2020) shows that "the convergence of attitudes, values, and beliefs that arises among actors that are similarly situated in the global network" influences MNCs' strategic decision under political risk: MNCs from countries that are more equivalent in the global network to the host country will accept higher levels of political risk in that host country than in host countries that are less equivalent. According to Cannizzaro (2020, p. 846) this may explain Buckley et al.'s (2007) findings that Chinese private companies counterintuitively tend to invest more in political risky countries. Indeed, this may be the result of social influence in the sense that Chinese "firms receive preferential treatment in fellow communist and post-communist countries" (Cannizzaro, 2020, p. 846). Our findings add to this theoretical insight by going beyond the dyadic view between one country of origin of FDI and one host country and bringing in a third 'player' namely an alternative country of origin. Indeed, our study suggests that investment from ideologically close countries may be particularly in the host countries' interest when there are political or ideological conflicts with countries providing alternative sources of investment.

Policy and Managerial Implications

Assessing the political risk and uncertainty stemming from right-wing populist government policies for foreign companies is not just an academic question, but an important concern for managers. Underestimating this risk may lead to foreign direct investment that is not viable. Overestimating this risk may lead management to forego highly profitable investments. Here, our study provides insights useful for both managers and policy makers.

For MNCs, the implications of our study concern the factors that make companies particularly vulnerable to adverse policy intervention as well as insights into the firm-level factors that enable the development of successful coping strategies. Thus, the country- and sector-level factors we identify provide a way to assess the probability of a company facing political uncertainty rather than just risk when operating in a right-wing populist country. While the country- and sector-level factors are not directly under the control of any individual firm, the firm-level factors of home-country protection, investment capacity, sectoral power, ownership advantages stemming from unique technology, and political loyalty provide both ways for manager to assess the risk or uncertainty they are exposed to and to develop strategies that may help mitigating them.

Our study also hints at the fact that firms need to be aware of the implications of their attitude towards the host government on political uncertainty. That is not a call for companies to simply show loyalty towards oppressive regimes, but rather MNCs may factor in the political uncertainty they are facing when exercising voice. Here, 'soft voice' may constitute a more productive strategy when faced with right-populist government.

Similarly, for policy makers our study provides insights in terms of the potential consequences of political and ideological conflicts with a given right-wing populist host country of national MNCs. Thus, given the impact of authoritarianization as well as ideological alignment on political uncertainty, policy makers should be aware of the impact political shifts towards autocracy have on political uncertainty for foreign companies. Similarly, 'decoupling' strategies in terms of FDI investment and technology dependence may be desirable from developing countries' perspective but may have knock-on effects on foreign MNCs. Mitigating such risks may not only require MNCs to develop political capabilities, but also policy makers to design appropriate development policies regarding technology transfer, industrial upgrading, and education. Our findings can also help develop effective strategies to put pressure on right-wing populist home countries in stemming their backsliding into autocracy and illiberalism, while mitigating the impact of such political pressures on national MNCs.

Finally, our study shows that industrial strategy in the countries we studied is geared towards moving away from an (inward) FDI-led growth model, by creating more domestic investment capacity as well as more selectively encouraging FDI into sectors with higher value-added activities. Such industrial 'upgrading' is generally considered a desirable process in terms of socioeconomic development (Lee & Gereffi, 2015), but our study suggests there may be downsides from the point of view of MNCs present in countries that engage in upgrading strategies and may even seek to (selectively) 'decouple' their economy from the global economy. This poses not only strategic issues for MNC managers, but also moral dilemmas for policy makers and business leaders in the sense that a host country's development goals may conflict with the MNCs strategic interests. Here, policy makers and business leaders may need to develop new strategies to ensure company success, without relying on host countries remaining in a state of dependence and peripheral status (cf. Bohle & Greskovits, 2012; Scheiring, 2020).

Limitations and Future Research Agenda

Our study has several limitations. The focus on extreme cases implies that the generalizability of our findings is limited. Indeed, the study is best seen as contributing to a middle range theory (Jackson et al., 2019) of political risk and uncertainty under right-wing populist governments. Here, future studies which seek to test our propositions in a larger context may add further nuance and refinement to our insights. Our study is also based on a limited number of interviews and indigenous studies, as well as international literature. While that choice is justified by the newness of the subject, more in-depth qualitative studies and studies on a wider range of countries would be useful to further investigate the specific mechanisms we have identified. A core question for future research thus is whether the extreme case of well-established right-wing populist governments in Poland and Hungary can be generalized to other case of right-wing populism or even to left-wing populism. However, existing research on the "varieties of populism" indicates that populist governments very often – although not always – turn against FDI (Devinney & Hartwell, 2020, Table 3). Here, it is important to clarify that we are not arguing that all MNCs face political risk and uncertainty under right-wing populist governments: some do, but many do not. It will be important to establish which factors – sectoral differences, firm-size, the nature of the growth model and the specific policy orientation of the right-wing populist governments themselves – increase the likelihood that MNCs face acute political risk and uncertainty. Moreover, our exploratory study allows us to suggest various more specific venues for future research which we summarized in Table 2.

Our country-level antecedents of political uncertainty hint at fruitful avenues for future research, in particular by drawing on literature from adjacent fields such as Political Science, International Relations, and Development Studies. Thus, while our study hints at the importance of authoritarianization, political science research has shown that authoritarianism comes in many guises. Thus, Rajah (2012) found that Singapore is a case of 'authoritarian Rule of Law' rather than a regime completely disregarding laws; and Levitsky and Way (2002) coined the term 'competitive authoritarianism' to describe authoritarian regimes where elections still play a role. Future research should further investigate whether such varieties of authoritarianism affect MNC political uncertainty in different ways and how.

Regarding right-wing populist host-countries' FDI dependence, important questions remain to be answered about how political strategies of industrial and social development affect political risk and uncertainty. We know from earlier studies that capital and technology dependence encourage host governments to adopt MNC-friendly policies (Nölke & Vliegenthart, 2009). Here the recent turn to industrial strategies that seek to achieve industrial and social upgrading may change host governments' attitudes towards MNCs. Future research should investigate the implications of such upgrading strategies on the government's political strategy towards MNCs and for the nature of political risk and uncertainty the latter face.

The question of FDI-dependence and integration in international trade and investment flows hints at another area for future research, namely the impact of different type of regional trade agreements and international regimes on political risk and uncertainty. Alday (2021) argues that deeply integrated regional trade areas – such as the EU's Single Market – encourage deep regional integration of MNCs, leading to strong commitment to regional business networks, which in turn increases their exposure to political risks in that region. In the context of right-wing populist backlash against globalization (Butzbach et al., 2020), which can lead to the above discussed policies of reduction of FDI dependence, MNC exposure may hence be particularly high in

Table 2 Research agenda

Factor	Research questions	Relevant theories and streams of research
Macro		
Political position: Degree of authoritarianization	How do different political regimes and varieties of authoritarianism affect political uncertainty?	Rajah (2012) Levitsky and Way (2002)
Growth model and embedding in global economy: FDI dependence	What industrial strategies are likely to lead to less FDI-dependence and hence higher political uncertainty for MNCs? How does the position of a country in global value chains affect FDI policies in particular regarding strategies of industrial and social upgrading? How do power relations in the international economy affect political risk and uncertainty MNCs are facing from different host countries? How does political risk and uncertainty vary across different types of regional trade regimes under conditions of deglobalization?	Lee and Gereffi (2015) Baccaro and Pontusson (2016) Bohle and Greskovits (2012) Scheiring (2020) Alday (2021) Witte (2020) Butzbach et al. (2020)
Ideological position and alignment between home and host country: illiberalism vs. liberalism	To what extent does ideological proximity between host and home country determine FDI policies? Do different political ideologies have different impacts on FDI policies?	Cannizzaro (2020) De Bolle and Zettelmeyer (2019)
Meso		
Existence of domestic competitors	What factors determine the rise of domestic competitors to MNCs? What inter-organizational cooperation strategies can MNCs use to mitigate political uncertainty?	Narula and Dunning (2010) Ovtchinnikov, Reza, and Wu (2020)
Existence of alternative FDI from ideologically aligned countries	Which sectors are particularly exposed to competition from ideologically alternative countries?	Rooney and DiLorenzo (2021)
Strategic importance of/dependence on sector	What factors determine the strategic importance of a sector for a given host government?	Huseh (2016)
Micro		
Home government protection	What political capabilities are effective in protecting MNCs from political uncertainty? How can MNCs enhance relevant political capabilities to deal with political uncertainty?	Schnyder and Sallai (2020) Oh et al. (2021)
Investment capacity, sectoral power; technological ownership advantage	What firm-level factors determine MNCs' ability to effectively cope with political uncertainty?	Elsahn and Benson-Rea (2018) Francis, Zheng and Mukherji (2009)
Loyalty vs. voice	What strategies allow MNCs to achieve simultaneously legitimacy not just in the right-wing populist host country, but also in the liberal democratic home country?	Stevens et al. (2016)

comparison to other regional trading blocs like ASEAN, USMCA, or MERCOSUR. More research is needed to understand how political risk and uncertainty vary across types of regional trade regimes in the context of deglobalization (Witte, 2020).

More research is also needed on how exactly ideological alignment influences FDI policies and the extent to which the impact of ideological alignment varies across different types of ideologies. This will allow it to better understand in what situations ideological tensions may or may not lead to political uncertainty for MNCs. More generally, future research should further explore whether social influence under political uncertainty has the same impact on firms as it does under political risk. Cannizzaro's (2020) recent study suggests that the importance of social influence for MNCs may be enhanced in cases of political uncertainty compared to the alternative channel of bargaining power. The use of bargaining power depends on a certain level of certainty even within a politically risky environment, while social influence may be less dependent on political stability and therefore be more effective dealing with uncertainty.

At the meso-level, our study suggests fruitful avenues of future research in three areas, namely the antecedents of domestic competition in a given sector, the antecedents of alternative sources of FDI, and the determinants of strategic importance of a sector in different contexts.

Our study shows that the risk of political uncertainty increases when right-wing populist host governments have alternatives to MNC activities to achieve a given social and economic goal. Under what circumstances exactly host governments will be successful in strategically fostering domestic alternatives to foreign MNCs requires more research. There is some evidence from other contexts – notably China – hinting for instance at the importance of strategies like 'reverse engineering' to transfer knowledge without resorting to inward FDI. The potential for this strategy can be expected to vary by sector depending on a myriad of factors that have not been extensively studied to date (for the military industry see Gilli & Gilli, 2019).

The country-level antecedents of political uncertainty under right-wing populist host governments we identified also hint at important research questions about the existence of alternative FDI from politically aligned countries. Here too, alternatives will vary by sector-level factors, e.g., in some sectors few alternatives in terms of know-how exist outside a limited range of countries and companies (e.g., deep-sea drilling Warhurst, 1991). These two aspects may also interact, in the sense that the factors that make it difficult for governments to foster domestic competitors to foreign MNCs may overlap with the factors that limit diversity of outside options for FDI, making certain sectors much less risky/uncertain than others.

A third avenue for future research concerns the notion of 'strategic importance.' We argued that an important neglected determinant of strategic importance is inward technology transfer via MNC investment. However, beyond technology transfer, depending on context, other sectoral characteristics may equally contribute to making certain sectors strategically important for the right-wing populist government, e.g., the role of media for regime stability or the role of finance in a national development strategy (cf. Hsueh, 2016). More research is needed to enhance our understanding of which sectors may be considered strategically important by any given right-wing populist regime and hence particularly prone to be exposed to adverse government intervention and therefore political uncertainty. Future research could also explore whether different sectors are considered important during different phases of a populist regime's life-cycle, e.g., control over the media may be an early concern, while control over telecoms infrastructure may come later in the process of entrenchment of the regime.

Finally, at the micro-level our study suggests further venues for future research regarding the determinants and effectiveness of political capabilities. Hillman and Hitt's (1999) seminal paper theorized the fit of different political strategies with contexts of pluralism and corporatism. As we move beyond stable Western institutional contexts, this difference loses relevance. Instead, we need to theorize what political strategies fit contexts of political uncertainty. Our study suggests that beyond transactional-, and relational political capabilities (Schnyder & Sallai, 2020), other types may become more relevant when dealing with political uncertainty. Future research should build on existing typologies and taxonomies of political capabilities and further our understanding of the contexts in which they prove effective. Here, investment capacity, sectoral power, and ownership advantages in the area of unique technology are important factors that help companies cope with the threats of political uncertainty. More research is needed to systematize and theories firm-level characteristics that increase resilience towards right-wing populist adverse political actions.

Future research should also further investigate the contextual determinants of firm-level "buffering mechanisms" and their effectiveness in contexts of political uncertainty. Here, an additional issue emerging from our specific context concerns a possible dilemma that MNCs may face in terms of their legitimacy strategy (Stevens et al., 2016) under right-wing populist governments: MNCs from liberal democratic home countries may face a dilemma in terms of simultaneously developing legitimacy in the home country and in the right-wing populist host country. While loyalty to the right-wing populist government may be an important strategy to reduce political uncertainty in the host country, that attitude may reduce legitimacy back home where important stakeholders may be critical of the host-country government. More research is required to understand how MNCs navigate this tension.

NOTES

[1]https://www.dw.com/en/poland-state-run-oil-company-buys-leading-media-group/a-55859592.

[2]https://www.dw.com/en/poland-state-run-oil-company-buys-leading-media-group/a-55859592.

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APPENDIX

Interview Guide

Interviews were structured according to the following interview guide. After a short introduction to the topic the participants were asked questions that belong to the following topical groups.

Question groups:

1. Introducing questions: age, position, national identity (citizenship and where they live).
2. Questions relating to the organization: main activities, market share etc.
3. Questions related to the how the participant perceives populism in countries of their operations in general.
4. Discussion of the role of the state in the firm's sector in home and host country/and or sector or industry in case of associations.
5. Discussion of how/in what ways the organization has been directly affected by populistic policy changes (or if populists are not in power, then populist rhetoric/sentiment). Does it affect the bottom-line, if yes how?
6. Discussion of whether the organization has engaged in any action related to populism (i.e., signing petitions, issuing statements, using media to express opinions, condemning policies etc.).
7. Discussion of how populist policies and regulatory changes affected corporate activities/activities of business associations in the market.
8. Questions around business power/nonmarket strategies.
9. Questions around investment decisions (FDI).
10. Questions around populist sentiments (these may include questions right-wing exclusionary rhetoric, such as homophobia, anti-immigrant and gender related sentiments).

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