



# The emergence of populism as an institution and its recursive mechanisms: A socio-cognitive theory perspective

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## Abstract

The rise of populism worldwide provides an excellent setting to explore the dynamic relationships among international business (IB), institutional context, and IB policymaking. It also has important implications for multinational enterprises (MNEs). To understand populism's recursiveness, such relationships need to be examined more broadly from a social psychology lens; also, within IB and IB policy research. While populism has been attracting widespread attention among many different IB stakeholders, our understanding of populism at the nexus of politics, the economy and social psychology remains undertheorized and, sometimes, misunderstood. We employ socio-cognitive theory (SCT) to answer how populism arises (RQ1) and establishes itself as an institution (RQ2). By shedding light on the origin and mechanics of populism's recursive nature, the logic of "proto-institutions", which we employ to understand institutional change in the context of populism, helps advance institutional theory within an IB context. Exploring the implications of populism for MNEs helps advance theory on MNE non-market strategies (NMSs) and shed light on MNEs' corporate political activities. The re-framing of populism as a wicked problem further provides a theoretical toolkit for IB policy research. We present several future research directions for IB and IB policy research, as well as MNE research.

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## INTRODUCTION

Populism, defined as "an anti-establishment orientation, a claim to speak for the people against the elites" (Rodrik, 2018, p. 12), is an ideology that divides society into the "pure people" versus the "corrupt elite" (Mudde & Kaltwasser, 2017). Anti-pluralist in nature (Morgan, 2020), populism has become a ubiquitous feature in the current era of "global flux" (Aguilera, Henisz, Oxley, & Shaver, 2019, p. 61). For example, a quarter of countries (Funke, Schularick,

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& Trebesch, 2021) and over 2 billion people worldwide are subject to some form of populist governance (Blake, Markus, & Martinez-Suarez, 2022). Populism is also a modern-day socio-political syndrome that both multinational enterprises (MNEs; Hartwell & Devinney, 2022) and international business (IB) policymakers (Casson, 2021) need to pay increasing attention to. It entails “mutually reinforcing set of beliefs, institutional processes, and policymaking logics featuring an anti-establishment ideology, de-institutionalization, and short-term policy bias” (Blake et al., 2022, p. 7). Yet, our knowledge of the recursive mechanisms of populism (Blake et al., 2022) and especially their implications for MNEs is still limited (Hartwell & Devinney, 2021). In a climate of increased political risks and geopolitical tensions, we need to better understand how MNEs develop effective non-market strategies (hereinafter NMSs) to address populism and what kind of corporate political responsibility they need to enact (Hartwell & Devinney, 2022).

MNEs navigate a complex global environment where they need to increasingly employ NMSs (Blake et al., 2022; Rodgers, Sokes, Tarba, & Khan, 2019), as well as engage in corporate political activities (Hartwell & Devinney, 2022; Müllner & Puck, 2018). As social actors, MNEs are not just passive institution takers but exercise agency, which helps them “manipulate, negotiate, and partially construct their institutional environments” (Kostova, Roth, and Dacin (2008, p. 1001). They operate in increasingly dynamic and non-ergodic<sup>1</sup> environments (Hitt et al., 2021) and often need to engage with “provisional institutions” (Marti & Mair, 2009). Such institutions correspond to “novel practices, rules, and technologies that have no standardized or institutionalized way to be dealt with” (Smolka & Heugens, 2020, p. 630). We call these type of institutions “proto-institutions” (Lawrence, Suddaby, & Leca, 2002), which can be a useful theoretical lens for advancing our understanding of how MNEs engage in corporate political activity (Hartwell & Devinney, 2022) and NMSs against the recursive nature of populism (Blake et al., 2022).

While the dynamic relationships between IB, the institutional context and policymaking (Blake et al., 2022; Casson, 2021) have attracted widespread attention among managers and policy analysts, IB scholars’ understanding of populism at the nexus of politics, economy and social psychology remains undertheorized (Blake et al., 2022; Rodrik,

2021) and often misunderstood (Hoekman & Nelson, 2018). This gap in the literature exists because of the de-contextualized, static view of institutions (Jackson & Deeg, 2019) that often overlooks the role of agentic actors in institutional processes (Blake et al., 2022; Hartwell & Devinney, 2021). It is also a consequence of the prevalence of institutional determinism and neoinstitutional theory in MNE research (Kostova et al., 2008).

We respond to calls that such relationships need to be examined more broadly from a social psychology lens (Aslanidis, 2020; Stathi & Guerra, 2021); also, within IB (Casson, 2021; Ghauri, Strange, & Cooke, 2021). The theoretical lens of social psychology is particularly well suited to study the in-group/out-group foundation of populist ideology (Rodrik, 2018) but also connects naturally with the MNE internalization-externalization theory (Rašković & Takacs Haynes, 2021). We also note that a social psychology lens lends itself well to MNE theorizing – particularly with regards to institutional theory. Social psychology can help us better understand “the political nature of the collective institutional process, which will lead to an institutional reality characterized by pluralism, dynamics, and instability” that MNEs navigate and contribute to (Kostova et al., 2008, p. 1002). It can also help explain the underlying cognitive processes that MNE actors engage with/in. MNEs also act as stakeholders and actors within politics of identity (Rašković, 2021; Vaara et al., 2021), which are again highly relevant for studying populism and the role that MNEs play in negotiating business–government relationships (Müllner & Puck, 2018) and corporate political activity (Hartwell & Devinney, 2022).

The purpose of our study is to better understand how MNE activities and IB contribute to the rise and recursiveness of populism, how populism becomes institutionalized, and how MNEs navigate and participate in environments marred by populism. We present a dynamic, recursive framework (Blake et al., 2022; Rodrik, 2021) involving socio-cognitive mechanisms and agentic actors (Aslanidis, 2020). Within such a framework, IB actors diffuse and legitimize “proto-institutions,” which are temporary and/or “new institutions in the making” (Lawrence et al., 2002, p. 283) entrenched by social processes (Yan et al., 2023). Drawing on Bandura’s (1986, 2001) socio-cognitive theory (SCT), we seek to answer how populism arises (RQ1) and establishes itself as an institution (RQ2).



SCT's triadic co-determination among the environment, socio-cognitive factors, and normative behavior explains populism as "the ultimate socio-political nexus" (Blake et al., 2022, p. 2). SCT synthesizes the economic and cultural approaches to explaining the recursive causal link between economic globalization and populism's rise (Rodrik, 2021). We focus on the institutional-generative link between policy decisions and material impacts of economic globalization (Rodrik, 2018, 2021) paired with collective social identities and agentic processes (Aslanidis, 2020). Such processes are also highly relevant to how MNEs navigate their institutional contexts (Kostova et al., 2008). We conclude that populism challenges existing IB theory, including MNE theory. It drives and/or compounds political risk and uncertainty (Hartwell & Devinney, 2022), but also creates opportunities for MNEs (Panibratov, Sánchez-Herrera, Castello Esquerdo, & Klishevich, 2022). All of these issues call for more critical MNE theorizing that draws on appropriate institutional theory strands and a social psychology lens.

The prevalence of a neoinstitutional theoretical logic in MNE theory has limited the IB discipline in understanding the "equivocality, ambiguity, and complexity" of MNEs as institutional actors (Kostova et al., 2008, p. 997). It has also prevented IB scholars from analyzing and theorizing at levels of analysis beyond organizations, especially at the level of the nation-states (i.e., negotiated MNE-government relationships), social groups (i.e., collective behaviors) and at the supranational level (i.e., relationships with multilateral organizations and supranational institutions).

We make three contributions to the IB literature. First, populism remains undertheorized (Blake et al., 2022) and largely isolated from social psychology (Casson, 2021). A SCT angle on populism addresses the social psychology of collective identification and collective agency, which are at the heart of populism's recursiveness (Aslanidis, 2020; Rodrik, 2021). They can also enrich our understanding of MNEs' agency as socio-political actors (Kostova et al., 2008), thereby contributing also to MNE theory. Focusing on the role of populists as "strategically oriented political entrepreneurs" (Aslanidis, 2020, p. 169), Blake et al. (2022) outlined several recursive mechanisms which highlight the endogenous nature of populist political risk that shapes firm NMSs. Our supplementary social psychology lens corrects for "the over-individualist portrayal of social activity"

(Aslanidis, 2020, p. 166). It also introduces socio-cognitive frames of reference guide decision-making (Rodrik, 2021) at both policy and firm level.

Second, we link populism's proto-revolutionary nature (Blake et al., 2022) with the concept of proto-institutions (Lawrence, 2002) and institutional change (Greenwood et al., 2002), keeping in mind MNE agency and the political nature of institutional processes (Kostova et al., 2008). Integrating a social psychology lens into IB research on populism helps mitigate two essential IB issues in institutional theory (Jackson & Deeg, 2019): decontextualized institutions and a lack of a dynamic perspective on institutional changes.

Our last contribution concerns IB policy theory. Lundan (2018) linked MNE managerial and IB policy issues with multi-level governance failures. A SCT populism framework helps bridge the gaps in understanding institutional-, market-, and organizational-level failures through a social psychology lens (Casson, 2021). Framing populism as a "wicked problem", which refers to a complex and complicated problem associated with myriad stakeholders that can only be tamed, we apply the theoretical toolkit of wicked problem thinking to IB policy (Rašković, 2022) and link it with the co-evolution of MNEs, governments, and institutions (Cantwell, Dunning, & Lundan, 2010; Müllner & Puck, 2018) through the prism of macro-level proto-institutions (Yan et al., 2023).

## LITERATURE REVIEW

The phenomenon-driven nature of populism research has caused significant conceptual stretching (Olivas Osuna, 2021). Following the backlash against economic hyper-globalization (Ghauri et al., 2021; Rodrik, 2021), populism has become a "shifty concept" often used without rigor (Bennett, Boudreaux, & Nikolaev, 2023, p. 153). "[T]he lack of a single, all-encompassing, and widely accepted definition" (Devinney & Hartwell, 2020, p. 34) mars the study of populism across disciplines.

For IB, this is problematic in terms of systemizing political risks, understanding institutional volatility, and exploring the evolving global uncertainties and their effects on MNEs (Hartwell & Devinney, 2021, 2022). These factors impact NMSs and managerial decision-making (Blake et al., 2022; Hartwell & Devinney, 2022). Studying how populist politics impact MNE strategies in Mexico, Panibratov et al. (2022) point to "quiet politics" (Culpepper, 2021)

in the form of iterative NMSs that improve the country's image, strengthen MNEs' political capital, and add legitimacy.

For IB policy, Rodrik's economic globalization trilemma presents three categories of policy challenges for rebalancing economic globalization (Hoekman & Nelson, 2018; Rodrik, 2018): (1) a power shift from capital to labor and other parts of society, (2) a balance between a fit-for-purpose system of global governance and effective national governance, and (3) a shift from areas with small net gains to areas with large net gains.

Hoekman and Nelson (2018) consider Rodrik's trilemma rhetorical rather than analytical. Rodrik (2000) originally used the term "mass politics" instead of "democracy." Populism then became tied to the economic globalization trilemma because it supported the disenfranchised masses (i.e., the pure people) left behind by the corrupt elites. Such masses actively engage in political processes (Lonergan & Blyth, 2020) and exercise collective agency (Aslanidis, 2020) to pursue and protect the benefits provided to them by the populist leaders seeking power (Blake et al., 2022). If populism materializes through anonymously

casting one's vote in the ballot box, one can also argue that populism has an under-explored individual component linked to the socio-cognitive self, which is where social psychology becomes important.

## Populism: Background and a Typology

### Populism in economics and IB

The 1967 London School of Economics' conference laid the ontological foundations of the study of populism. Departing from the dominant class struggle framework, Peter Worsley focused on two socio-cognitive aspects of populism (Olivas Osuna, 2021): (1) the antagonism between a society and the "outside world" and (2) the importance of a "liberating agency" of the out-group against political abuse by the elites.

The collective identification of "the elite" vs. "the people" has "both a cognitive and an evaluative component, represented, respectively, by the concepts of comparative and normative fit" (Aslanidis, 2020, p. 168). "Adopting and enacting the group's norms in terms of manifest political behavior at the voting booth or elsewhere" (ibid., p. 169)

**Table 1** For approaches to populism and their background

Approach	Key idea	Authors	Socioeconomic context
<i>Ideational approach</i>	Populism as societal ideology, capturing the antagonism between corrupt in-group and the excluded virtuous out-group majority	e.g., London School of Economics' conference; Mudde (2004)	1960s social movements and class struggle against the backdrop of a modernizing society
<i>Political strategy approach</i>	Populism is not so much an ideology, as it is a mode of persuasion. Strong emphasis on socio-political movements and personalistic leaders pursuing un-institutionalized power and challenging established institutions	e.g., Hartwell and Devinney (2021)	1980–1990s: Fall of the Iron Curtain, the liberalization of international trade/ investments/finance, advent of the Internet. The emergence of new kinds of political parties and institutions (i.e., the World Trade Organization). Growth in political conservatism and economic liberalism
<i>Discursive/framing approach</i>	Shift away from both ideology and socio-political movements towards constructed political identities. Populist leaders construct and "de-contest" meaning through elite-majority separations	e.g., Leclau (2005)	2000s: Start of hyperglobalization and China's entry into World Trade Organization, 9/11 and increase in terrorism; impact of the Internet on the media landscape
<i>Performative approach</i>	Emphasis on socio-cultural factors and focusing on political styles which create and recreate identities in a leader-member exchange process	e.g., Ostiguy (2017)	Post-2010s: emergence of populism in both emerging and developed markets, across the right and left political spectrums. Emphasis on "others" who benefitted from globalization (i.e., zero-sum logic of globalization)

Source: Adapted from Olivas Osuna (2021) and De Cleen, Glynos, and Mondon (2018)



necessitates agency. Table 1 synthesizes social scientific literature on populism, highlighting four distinct approaches, along with key authors and socioeconomic context.

The ideational/ideological approach to populism, focusing on political ideologies with strong antagonistic logic has been most influential (Mudde, 2004). Focusing on the various forms of antagonism (i.e., between the corrupt elite and the “pure people”) has nevertheless failed to offer holistic understanding of the antagonized society (Freeden, 1996). Therefore, populism is often coupled with “thicker” ideologies, like socialism and liberalism (Olivas Osuna, 2021). Nationalism also does not fit a “thick” ideology, despite being associated with populism (Ghauri et al., 2021). The former corresponds to “the people-as-nation” while the latter corresponds to “the people-as-underdog” ideology (De Cleen et al., 2018, p. 830).

In IB, Bennett et al. (2023) used the ideational approach to study the impact of populist discourse on entrepreneurship, and Hartwell and Devinney (2022) used it to explore corporate political responsibility. Additionally, the performative approach, focusing on the socio-cultural factors and (political) leadership styles shaping populism as a leader-members exchange process, is complementary to a social psychology approach to populism within IB policy (Casson, 2021; Rodrik, 2021). The performative perspective on populism (Ostiguy, 2017) is closer to Hartwell and Devinney’s (2020) typology of varieties of populism and their link between types of uncertainty, attributes and behaviors of populist leaders, and institutional volatility from within the socio-economic system (Bennett et al., 2023; Hartwell & Devinney, 2021). It also helps explain populist political risk as an endogenous feature within the socio-political nexus (Blake et al., 2022).

Different varieties of populism hold meaning for different segments of society (Devinney & Hartwell, 2020), and what their emergence means for IB. They identified four types of populism: *structural* (e.g., Rode & Revuelta, 2015), *economic* (e.g., Inglehart & Norris, 2016), *ideological* (e.g., Mudde & Kaltwasser, 2017) and *political-institutional* (e.g., Roberts, 1995), summarizing the characteristics of each as follows (p. 36):

- Structural populism: “a social call to arms using large scale cross-class coalitions”.
- Economic populism: “exploit[s] the fears of the least economically secure segments of society,

those who may be more receptive to a policy of scapegoating elite, immigrants, the rich, or any number of “the other””.

- Ideological populism: “conceives of society as representations of good and evil, superimposed onto the political process”.
- Political-institutional populism: “is a sustained large-scale political project which is meant to mobilize marginalized social classes onto political action”.

Rodrik’s (2018) economic globalization trilemma between global economic integration, national sovereignty and democracy exemplifies economic theory’s take on populism. In the trilemma, “simple economics of globalization is not particularly auspicious with respect to its political sustainability” (Rodrik, 2018, p. 27). Ozawa (2019) adds that global industrial restructuring and the uneven benefits for different countries and social classes created fertile conditions for populism (see Rodrik, 2021). Furthermore, Chesterley and Roberti (2018) point to the distinction between a redistributive approach and a dynamic approach to populism – both economically unsustainable (Rode & Revuelta, 2015).

#### **Right- vs. left-wing populism**

The redistributive approach is driven primarily by political aims, rather than economic objectives. Social psychology explains such socio-cognitive frames of reference which influence voter decisions (Casson, 2021; Rodrik, 2021) in a way that traditional political economy models based on rational choice of “median voters” cannot (Leon, 2014). Discursively, left-wing redistributive populist policies are seen as antagonistic of capitalism (Stöckl & Rode, 2021). They are feared for promoting “excessive” income redistribution through increased wages and generous social benefits which may increase short-term consumption but could reduce productivity and output.

Right-wing populist policies have a neo-liberal flair (Leon, 2014). They support local business interests and are antagonistic of international free trade and mobility (Stöckl & Rode, 2021), which has implications for MNEs. The overall macroeconomic effect is, however, “very much the same” regardless of politics (Dornbusch & Edwards, 1991, p. 9). It usually entails a short-term emphasis on income redistribution (left-wing populism) or growth (right-wing populism) at the cost of underestimating inflationary risks, government deficits,

overlooking the role of external constraints in managing public goods, and the agency of economic actors in the face of aggressive populist (macroeconomic) policies (Bennett et al., 2023). The latter is particularly relevant for a social psychology of populism (Aslanidis, 2020).

In terms of the categorization of firms into “outsiders” vs. “insiders”, Blake et al. (2022) point to stark differences between right-wing and left-wing populist policies. Right-wing populist policies prioritize national economic sovereignty and domestic interests, which means support of domestically oriented small and medium enterprises or prestigious large domestic firms which elevate the country’s status internationally. They antagonize foreign MNEs and firms with significant presence abroad. Left-wing populist policies tend to support firms that provide widespread employment, as well as goods and services to the masses through macroeconomic policy. This often translates into support of state-owned enterprises and the unions, antagonizing a neoliberal private sector and capital interests. It is also important to note that left and right populisms are not necessarily antagonistic to each other. They are much more antagonistic of the mainstream/status quo.

### *The myopic nature of populism*

The dynamic approach to populism, which is more relevant to the recursive nature of the populist syndrome (Blake et al., 2022) goes beyond comparing short-term welfare enhancing effects and devastating long-term macroeconomic consequences (Bennett et al., 2023). It also extends beyond institutional capture that keeps populist politicians in power (Chesterley & Roberti, 2018). Blake et al. (2022) point to a triadic link between (1) anti-establishment ideology, (2) de-institutionalization processes and (3) short-term policy bias that underpins the recursive populist syndrome. They demonstrate how the populism’s anti-establishment orientation first challenges institutional intermediation as illegitimate in terms of “the free will of the people” and morally discredits established institutions and their representatives as “elitist”. Claiming urgency (Rodrik, 2021), it superimposes a short-term bias to legitimize new policies by “pure” outsiders that can produce quick benefits to populist constituencies. Myopic in nature (Rode & Revuelta, 2015), this contributes to institutional volatility (Hartwell & Devinney, 2021) and endogenizes populist political risk (Blake et al., 2022; Hartwell & Devinney, 2022). This anti-

establishment dynamic creates a de-institutionalized system that weakens plurality and narrows political discourse (Morgan, 2020), undermining policymaking resources and capabilities (i.e., sidelining science and experts). Short-term populist policy winners have an incentive to support anti-establishment ideology to keep their rewards.<sup>2</sup>

### **De-Institutionalization and the Emergence of Proto-institutions**

De-institutionalization, defined by Blake et al. (2022, p. 5) as “the progressive weakening of institutional safeguards and procedures of modern democratic governance” (i.e., separation of power, independent media, role of science and the influence of experts, etc.) is central to the populism’s recursiveness. Questioning institutional intermediaries and established checks and balances weakens institutional safeguards. In SCT terms, these are forms of proxy agency (Bandura, 2018).

Populism uses personified politics (Hartwell & Devinney, 2021), creating the illusion of a direct relationship between “the people” and their political leaders, which should in theory help them exercise their free will (Blake et al., 2022). From a social psychology perspective, charismatic populist leaders are prototypes of distinct social groups with distinct boundaries, clear goals, common values/beliefs, prescribed behavior, and a shared fate (Choi & Hogg, 2020). As prototypical leaders, populists animate collective agency in the form of electoral support and various types of social/political movements (Aslanidis, 2020; 2021; Rodrik, 2021).

The mechanisms of progressive weakening of institutional safeguards depend on the inclusive (usually left-wing populism) or exclusionary nature of populism (usually right-wing populism). Generally, however, they can be classified into three categories (Blake et al., 2022):

- *avoidance* (i.e., referendums on foreign direct investments/ownership/privatization),
- *subversion* (i.e., invoking national interests and security concerns in IB), and
- *elimination* (i.e., using crises as pretexts for special powers, constitutional changes, and legislation changes).

De-institutionalization is also linked to the polarizing good-vs-evil morality invoked by populist anti-establishment ideology, which “precludes organic [political] change” (Blake et al., 2022, p.

5). Populism's core anti-establishment principle generates proto-revolutionary settings. While we understand the role populist leaders play in populism's de-institutionalization dynamics (Blake et al., 2022; Devinney & Hartwell, 2020; Hartwell & Devinney, 2021), we understand less well how populist political entrepreneurs *create* (proto) institutions (Aslanidis, 2020).

The social science literature on institutions takes "both plot and narrative" as given (Powell et al., 2012, p. 434). Proto-institutions (Lawrence et al., 2002; Smolka & Heugens, 2020) paired with a social psychology view of populism offer us an insight into institutional emergence. Proto-institutions refer to "new practices, rules and technologies (...) and may become new institutions" following widespread diffusion and institutionalization (Lawrence et al., 2002, p. 281). Here, we understand technology broadly, including "social technology" as institutional configuration (Nelson & Sampat, 2001). Proto-institutions arise in diverse environments marred by so-called non-ergodic conditions (Cantwell et al., 2010) requiring a strong entrepreneurial logic (Webb et al., 2010). This can easily be paired to the nature of populist leaders as political entrepreneurs (Aslanidis, 2020).

Studying interorganizational collaboration, Lawrence et al. (2002) found that proto-institutions require a high level of participants' agency and institutional field embeddedness, which corresponds to patterns of social relationships and

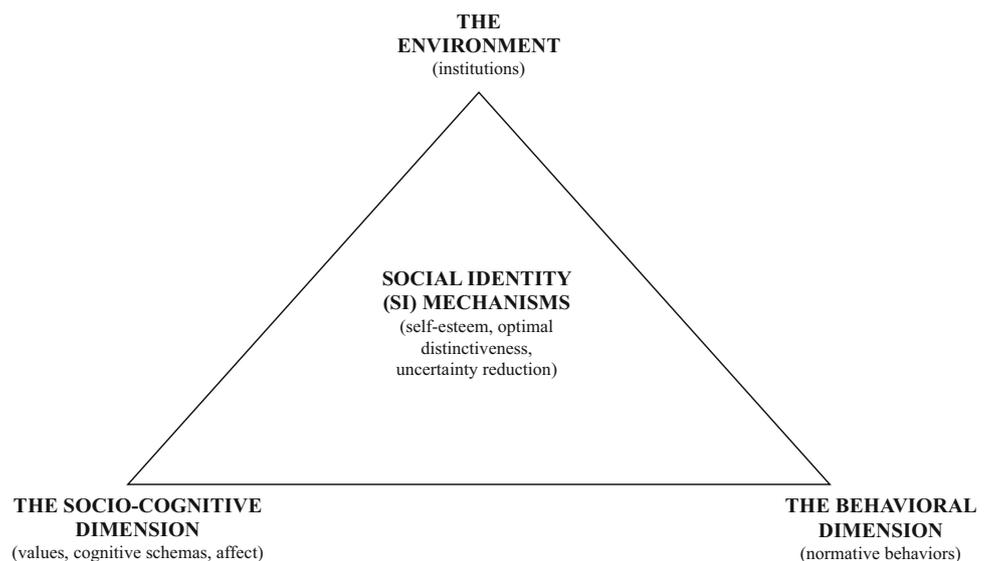
actions that "produce and reproduce the institutions and relationships that constitute the field" (Lawrence et al., 2002, p. 282). The socio-political nexus that provides the environment constitutes an institutional field, which transcends traditional market-hierarchy logic (Lawrence et al., 2002) and can be applied to sectors (Smolka & Heugens, 2020) and national policy-led institutional transitions (Yan et al., 2023).

In the next section, we present a SCT framework of populism and show how the concept of proto-institutions supports populism's proto-revolutionary nature (Blake et al., 2022) and strategies of political entrepreneurs (Aslanidis, 2020) but also policy-led institutional transitions at national (Yan et al., 2023) – and possibly supranational levels (Hartmann et al., 2022).

### DEVELOPING A SOCIO-COGNITIVE THEORY POPULISM FRAMEWORK

In this section, we first provide an overview of Albert Bandura's SCT (1986; 2001), followed by a presentation of our SCT populism framework accompanied by a set of propositions. The propositions help operationalize its dynamic and recursive logic in which collective identification and collective agency play important roles (Aslanidis, 2020; Rodrik, 2021).

**Fig. 1** Albert Bandura's triadic co-determination model of human agency.



Source: Adapted from Bandura (1986, 2018)

### Socio-Cognitive Theory: A Background

Albert Bandura's socio-cognitive theory (SCT) is an agentic theory of human behavior (Bandura, 1986, 2001; 2018). It is underpinned by a triadic process of reciprocal causal determination between environmental determinants, personal determinants (i.e., cognition) and behavioral determinants (Bandura, 1986), as depicted in Figure 1.

SCT has evolved from a psycho-social theory of *individual* human agency into a more comprehensive theory of human agency, distinguishing between individual, proxy *and* collective agency (Bandura, 2018). While proxy agency can help us understand better why institutional intermediaries are targeted within de-institutionalization processes (Blake et al., 2022) and populism's reliance on personified politics (Hartwell & Devinney, 2021), collective agency lies at the heart of a social psychology of populism (Stathi & Guerra, 2021) – by linking self-categorization (i.e., the self) and collective social identity (i.e., “we, the people”) (Aslanidis, 2020).

SCT recognizes that people do not always have direct influence over their lives and conditions, which is why they require mediators (i.e., proxy agency). At the same time, people are also not atomistic individuals, but are embedded in complex social environments. They are shaped by underlying social structures and work together interdependently through pooling resources, skills, and knowledge to create a common future. This requires collective agency driven by a perceived belief in a common collective capability (Bandura, 2006).

SCT transcends the false dichotomy between the freedom of individual agency and the determinism of social structure (Bandura, 2005). Most relevant to our research is Bandura's collective agency mode, which directly links to populism's nature and the role played by collective identification and agency in it (Aslanidis, 2020). Among the three modes of agency, collective agency is the most performative in the context of populism, establishing a two-way relationship between leaders and supporters (Blake et al., 2022; Hartwell & Devinney, 2021), influenced by socio-cultural and political-cultural factors (Ostiguy, 2017; Rodrik, 2021).

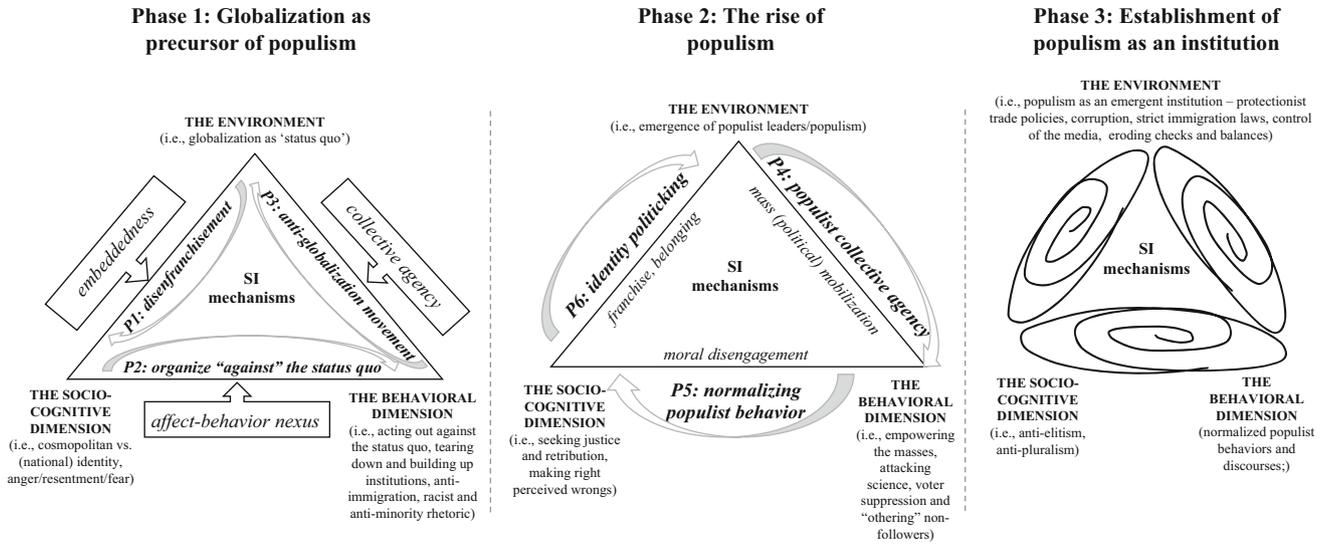
Within a populism context, collective agency also addresses interactions between the state and the people (Blake et al., 2022), which shape the evolution of societal institutions (Acemoglu & Robinson, 2019; Hartwell, 2021) and inform the

power relationships that guide MNEs' corporate political activities (Hartwell & Devinney, 2022). Collective agency also helps connect the scope of populism as a societal movement (Rodrik, 2021) with the performative aspects of populism (Ostiguy, 2017). Such connections are particularly salient in the context of economic globalization. In a globalized environment, MNEs become not just spaces where social identities play out but also actively shape social identities (Vaara et al., 2021) and the related power relationships between the government and the business sector (Child, 2018). Collective agency also helps explore the culturally contingent aspects of populism, which remain underexplored (Ostiguy, 2017). According to Bandura (2002), culture doesn't just influence efficacy beliefs but also shapes interaction patterns and moderates/mediates various change processes (Bandura, 2002).

Bandura's SCT lends itself well to the examination of populism through the role of morality in human agency (Bandura, 1986, 2016). Going back to the recursive mechanics of the populist syndrome, Blake et al. (2022, p. 8) show us how a “moralizing approach to policy” is weaponized to discredit existing institutions and actors as illegitimate institutional intermediaries benefiting the corrupt elites. A study of corruption in Central and Eastern Europe, for example, has illustrated how SCT can be applied to the social psychology of corruption (often closely linked to populism) and explains normalized collective behaviors through moral disengagement mechanisms (Takacs Haynes & Rašković, 2021). Such mechanisms help shed light on how “the people” can actively participate in the de-institutionalization processes discussed by Blake et al. (2022) by reconciling their behavior from moral dilemmas through moral disengagement (see Bandura, 2016). Like with the more general identity–agency mechanics of populism, populist constituents can often take an active role in applying such moral disengagement mechanisms themselves.

### The SCT Populism Framework

The framework in Figure 2 corresponds to a sequence of phases, jointly capturing the recursive logic (Blake et al., 2022) and socio-cognitive nature of populism (Aslanidis, 2020; Rodrik, 2021; Stathi & Guerra, 2021). It mainly focuses on populism's collective agency mode. We do not examine individual-level agency, as this mode is less of a direct relevance to IB theory and policy.



Source: Authors' own work.

Fig. 2 The emergence of populism as an institution and its recursiveness.

Bandura’s framework represents a dynamic triad between the environment, social cognition, and behavior – each point of which either reinforces or weakens the other two connecting points. Change in any affects the other two in a reciprocal way, and often in a sequential manner. The three “phases” in our framework illustrate the sequential logic behind the recursive mechanisms of the populist syndrome (Blake et al., 2022). We begin each phase by focusing on the environment dimension of the framework at the triangle’s top corner, as the environment presents the existing structural features which shape given social identities and modes of agency (Jupille & Corporaso, 2022; Bandura, 2005). We conceptualize the environment as built-up demand encompassing the often de-emphasized dark-side consequences of economic globalization (Rodrik, 2018, 2021).

We present a set of underlying research propositions for each phase which serve as basis for research directions and supporting research questions of interest to IB theory and policy developed in the discussion section of the paper. The first six propositions (P1–P6) correspond to each of the three sides of the triangle within each of the first two phases. A single proposition (P7) was developed for the third phase, to illustrate the recursive dynamic of populism.

**Phase #1: Globalization as populism’s precursor**

In the first phase, our framework helps explain how a set of initial conditions arising from the political-economic *habitus* (Bourdieu, 1978) linked to economic globalization (Rodrik, 2018) perpetuate various kinds of shocks (Rodrik, 2021), which in turn create acute discontent (Bonikowski, 2016). Discontent manifests in an intricate social psychology of populism (Aslanidis, 2020; Rodrik, 2021) driven by emotions and cognition (Medeiros, 2021). This sets in motion the motivational mechanisms for social identification – especially its uncertainty reducing mechanism (Abrams et al., 2021).

The steep rise of populism over the last two decades of the 20th century (Funke et al., 2021) and its global spread across emerging and developed markets (Ghuri et al., 2021) overlap with the period of so-called hyper-globalization starting in the early 2000s driven by a “hyper-efficient networked world economy” and making geography ambiguous (Kobrin, 2020, p. 281). Hyper-globalization’s transformative nature has had a knock-on effect on social identity beyond the nation-state (Fukuyama, 2018) – as the “cosmopolitan and international” replaced the “local and parochial” (Kobrin, 2020, p. 280). At the same time, globalization in developed countries has contributed to industrial restructuring – i.e., boosting the service sector while offshoring industrial production in

developing countries – which has had a direct impact on the economic security of the blue-collar working class (Ozawa, 2019).

Such globalization-induced shifts created a fertile ground for ethno-nationalistic populism on the political right (Rodrik, 2021). This kind of populism emphasizes socio-cultural cleavages (Vasilopoulos & Jost, 2020) and harnesses cultural anxiety by claiming “to protect and preserve the national culture and way of life” (Stathi & Guerra, 2021, p. 52). It faults “scheming” elites and foreigners for the loss of industrial production capabilities and jobs (Ozawa, 2019) – in a process through which economic logic has been culturally mediated (Margalit, 2019; Rodrik, 2021). Left-wing populism tends to be more inclusionary/pluralistic and addresses economic grievances through a social injustice lens (Vasilopoulos & Jost, 2020). It harnesses economic anxiety (Stathi & Guerra, 2021) and focuses on issues surrounding inequality (Vasilopoulos & Jost, 2020).

Sociologists have led the way in theorizing about the “civilizing, destructive or feeble” effects of globalization on society (Guillén, 2001, p. 235), often framed in the context of a “third modernity” characterized by liquid identities (see Blühdorn & Butzlaff, 2019). As the benefits from economic globalization have become overshadowed by its negative consequences (Kobrin, 2020) and perpetuated a series of economics shocks (Rodrik, 2021). The shocks displaced large numbers of the population and deepened the uneven distribution of benefits within society (Rodrik, 2018, 2021). The ensuing erosion of an economy of belonging (Loneragan & Blyth, 2020) then challenges the social identities of the certain classes (Rodrik, 2021). Thus, the “psychology of the ‘left behind’” (Casson, 2021, p. 4) is an integral element of the broader identity-transforming social psychology of globalization (Reese et al., 2019).<sup>3</sup>

Rodrik (2018, 2021) has established an important link between the different types of economic globalization shocks which open the doors for different kinds of populism (Devinney & Hartwell, 2020). His analysis shows that when economic globalization shocks manifest themselves in migration-displacement outcomes ethno-national and cultural cleavages are invoked. However, when economic globalization shocks are more economic in nature – arising from foreign trade and investment or finance – income, wealth and social class cleavages are invoked (Rodrik, 2018, 2021). However, as Rodrik points out, one of the paradoxes of contemporary

populism is that it takes predominantly a right-wing form, despite the fact that “left-wing populist movements with their redistributive economic agendas could have been the more obvious beneficiary of economic dislocations” (2021, p. 134).

Even though the benefits of economic integration reached a historical high (Witt, 2019) and resulted in unprecedented build-up of wealth, development and decrease in global inequality (Rodrik, 2018, 2021), the uneven distribution of wealth and income, across regions, within nation-states and social classes (Rodrik, 2018, 2021) contributed to a growing sense of disenfranchisement (Aslanidis, 2020). Increasingly, societies found themselves divided into members of the elite and the masses, who perceived themselves as being “left out” of an economy of belonging (Casson, 2021; Loneragan & Blyth, 2020) even if globalization has made the majority better off (Rodrik, 2018, 2021). In aggregate, these processes contributed to the build-up of generalized anger, resentment, and fear within society, as precursors of populism (Loneragan & Blyth, 2020), fueling its affective undercurrent (Kaltwasser et al., 2017). As social agents, MNEs have played both active and passive roles in globalization’s disenfranchisement processes (Rašković & Takacs Haynes, 2021), which has made them targets of public discontent.

**Proposition 1:** The threat to traditional social identities associated with (hyper-)globalization disenfranchises a critical mass resulting in generalized anger, resentment, and fear.

Turbulence and crises (Abrams et al., 2021) create a sense of real and/or perceived loss, which can also arise from a series of micro-stressors in peoples’ daily life, like the cost of living, access to healthcare and education (Loneragan & Blyth, 2020). Yet, it is often not the material loss but rather the loss of voice and decision-making power that fuels populism (Bonikowski, 2016). Feelings of anger, resentment, and fear can also arise from a general sense of uncertainty in the environment linked to the so-called “unknown unknowns” (Hartwell & Devinney, 2021). Such type of radical uncertainty feeds the increasingly non-ergodic global environment and its structural shifts, which impacts not just managerial decision-making in MNEs (Hitt et al., 2021) but also the co-evolution of MNEs and institutional environments (Cantwell et al., 2010). It also has a profound effect on IB policy and the types of capabilities required (Rašković, 2022).



The accompanying uncertainties and fear motivate people to seek identification and affiliation (Abrams et al., 2021; Hogg, 2019). Social identification helps resolve self-uncertainty, increase self-esteem, and enable people to optimally distinguish themselves from others (Hogg, 2006). Such uncertainty-reducing mechanisms of social identification form the backbone of Michael Hogg's uncertainty-identity theory (Choi & Hogg, 2020), as an extension of social identity theory. Uncertainty-identity theory helps explain the rise of populism and other forms of extreme social behaviors in times of uncertainty and turbulence in which prototypical leaders (representing distinct social groups) play a key role (Abrams et al., 2021; Hogg, 2019). As visible symbols of globalization, MNEs can become targets of the anger and range of the disenfranchised masses. The 2011 Occupy Wall Street movement and Brexit are two examples of populist anti-globalization movements that targeted MNEs, thereby prompting MNEs to develop more effective NMSs and take on more proactive roles through corporate political activities.

**Proposition 2:** Disenfranchised masses organize against the status quo, directing their anger, resentment, and fear against the elites and the institutions associated with them.

The polarizing and displacing effects of economic globalization perpetuate feelings of real and perceived loss of social identity, socio-economic status, and voice (Fukuyama, 2018; Lonergan & Blyth, 2020), which mobilizes agency (Aslanidis, 2020; Bandura, 2018). These processes also mean that populism can be easily "phrased as the struggle to protect the nation and the national economy against "outside" forces that produce these inequalities" (Lonergan & Blyth, 2020, p. 41). The outside-inside logic of populism mirrors the mechanics of social identification and is similar to MNEs' internalization-externalization logic (Rašković & Takacs Haynes, 2021).

The identified enemy is "the elite," perceived as highly individualistic, self-interested, cosmopolitan, and increasingly footless – all characteristics associated with economic globalization (Lonergan & Blyth, 2020). As the costs of economic globalization start to outweigh the benefits within the established system (Witt, 2019), populist leaders are able to channel (Hartwell & Devinney, 2021) the acute discontent and mobilize a backlash against globalization in general (Rodrik,

2018, 2021). If globalization is akin to nuclear fusion (i.e., merging) – which is inherently unstable by nature – the populism/nationalism nexus is akin to nuclear fission (i.e., splitting), as its counterforce (Damluji, 2019). In this regard, populism is able to replace the "for-something" logic of nationalism with an "against-something" logic that includes a clearly defined global-elite enemy (Damluji, 2019). MNEs are often perceived to be at the economic heart of such elites and their political power.

While the specific local conditions for populism vary (Lonergan & Blyth, 2020; Vasilopoulos & Jost, 2020), Devinney and Hartwell (2020) have been able to identify common types of normalized behaviors associated with populism, which include challenging multilateralism and immigration. In terms of acted-out behaviors, Lonergan and Blyth (2020) point to moral outrage (i.e., protests and social movements) and tribal rage (i.e., anti-system and destructive behavior). These emotions become "collectivized" through social identification mechanisms (Abrams et al., 2021), which helps shift cognitive fit to normative fit and links the individual social identity–agency nexus with the collective social identity–agency nexus (Aslanidis, 2020).

**Proposition 3:** The disenfranchised masses express their grievance through anti-globalization movements that target (a) political and economic elites, (b) national and transnational institutions, and (c) organizations associated with globalization.

MNEs are often on the receiving end of anti-globalization movements, not just because of their direct association with globalizations' negative effects, but also indirectly through their ties with national/transnational institutions and the political elites. As MNEs lobby and negotiate with governments and multilateral institutions (Müllner & Puck, 2018), the pressure on political elites and institutions can also be applied vicariously through the MNEs.

### **Phase #2: The rise of populism**

As conditions in the environment establish populism as an independent attitudinal dimension (Medeiros, 2021), feeding collective emotions (Abrams et al., 2021), populist leaders emerge from a permanent undercurrent (Bonikowski, 2016) as savvy political entrepreneurs (Aslanidis, 2020). Pandering to the disenfranchised and discontented

masses, populists “know their market” and are able to weaponize a left-behind psychology (Casson, 2021, p. 4). However, this is a two-way leader-follower process (Ostiguy, 2017) in which constituents are far from the popular image of “passive, submissive citizenry that is pushed around by a powerful populist leader” (Vasilopoulos & Jost, 2020, p. 9).

A representative empirical socio-psychological analysis of populist attitudes and the psychological profiles of their supporters from a nationally representative survey in France on both sides of the political spectrum pointed to significant associations between the “Big Five” personality traits and support of populist attitudes (Vasilopoulos & Jost, 2020). The association between “openness” (to new experiences) and populism indicates that “curious, creative and imaginative (...people...) feel less threatened by transformative social changes urged by populists” (Vasilopoulos & Jost, 2020, p. 5). A similar link between “conscientiousness” and populism is grounded in populism’s strong moral underpinnings (Blake et al., 2022). The negative association between “neuroticism” and populism, especially strong on the right side of political spectrum, points to the fact that more emotionally conflicted people may be more “uncomfortable with the confrontational aspects of exclusionary populist rhetoric and may worry more about radical social change” (Vasilopoulos & Jost, 2020, p. 5). Interestingly, “agreeableness” and “extraversion” were not associated with populist attitudes, albeit there was an interaction between agreeableness and left-right ideology (Vasilopoulos & Jost, 2020).

Overall, at least in the stage of populism’s rise, populist leaders seem to be in the minds and hearts of their constituents the best the disenfranchised masses can get to satisfy and assuage their preferences and identities (Aslanidis, 2020; Casson, 2021; Vasilopoulos & Jost, 2020). MNEs play an important role in such identity politics (Rašković, 2021) – either as actors in IB and international relations, or agents engaged in socio-economic change processes (Vaara et al., 2021). The populist policies imposed, like tariffs and other protectionist measures, affect MNEs, which operate on a global factory model. Such policies, while economically inefficient, carry huge symbolic meaning for the populists’ constituents who claim to be protecting jobs and specific industries.

**Proposition 4:** Populist leaders empower disenfranchised masses by galvanizing new social identities that align with populist causes.

Populists first emerge as untainted outsiders (Blake et al., 2022) and mavericks seizing or maintaining power “using anti-establishment appeals and plebiscitarian linkages” (Barr, 2009, p. 44). While a “common enemy” and charismatic leaders present the necessary conditions, they are insufficient drivers for mass political mobilization requiring collective agency. It is here that the mechanics of social identification come into play (Rodrik, 2021), linking the individual to the collective (Aslanidis, 2020). Through a personified politics halo effect (Hartwell & Devinney, 2021), populists display themselves as prototypical leaders of distinct social groups (Hogg, 2019), invoking normative fit associated with group identification (Aslanidis, 2020).

Distinct groups are coherent social groups with clear boundaries. Members of such groups share common attributes, goals (not always necessarily also values) and a shared fate (Choi & Hogg, 2020). Interactions within such groups are highly structured and manifest in strong normative behaviors. Outsiders violating normative behaviors of the group are severely sanctioned (Choi & Hogg, 2020). Leaders of such groups draw on identity politics as a strategy to establish their legitimacy (Blake et al., 2022). Institutions (both formal and informal) in this process do not just represent levers of power for populist leaders (Hartwell & Devinney, 2021) they are also “game rules” for other social actors (Jupille & Corporaso, 2022). Hartwell also emphasizes how institutional design is “inherently a product of identity” (2021, p. 6). It is here that MNEs can also play a part in such social identity process (Rašković, 2021). For example, MNEs can act as entrepreneurial macro-level social change agents, support collective social identification and galvanize the collective behavior of stakeholders that are also political constituents (Vaara et al., 2021).

**Proposition 5:** Populism is normalized through supporting social psychology mechanisms and reinforced by the (re)creation of institutions to support populist agendas.

Identity fusion is a common occurrence in the initial stages of change and turbulence. However, over time, the optimal distinctiveness aspect of social identification overtakes the uncertainty



reducing aspect of social identification (Abrams et al., 2021). At the same time, some people may perceive that their affiliation with the populist group has given them a voice, which makes the superordinate category of being disenfranchised less relevant – giving way to the salience of other social categories (Abrams et al., 2021). The appeal of populist leaders eventually fades, either through a loss of moral high ground or the myopia of their economic policies (Rode & Revuelta, 2015). Thus, populist leaders shift their focus from leadership to staying in power and maintaining authority (Devinney & Hartwell, 2020). Unable to offer value to their followers through redistribution, populist leaders usually turn to adjusting/expanding their political coalitions and “changing existing political institutions so they are less of a barrier and more of a facilitator” for extraction (Devinney & Hartwell, 2020, p. 43). Both approaches require a fusion of the political-strategic nature of populism with its social identity toolkit (Aslanidis, 2020), which is why we use the term “identity politicking” as a derivative of identity politics and similar to Pierre Bourdieu’s “politicization of the social makers” (Ostiguy, 2017, p. 7). Identity politicking showcases the strategically oriented and entrepreneurial nature of populist political leaders: “[I]n-group favoritism encourages support for the populist party or leader, while outgroup derogation solidifies the identity of the populist camp by ‘othering’ political opponents associated with ‘elites’ ” (Aslanidis, 2020, p. 167).

**Proposition 6:** The moral justification of populist arguments and the allure of a homogenous superordinate group fade over time, incentivizing populists to pivot to identity politicking.

It is at this stage that MNEs may supplant their existing NMSs (Blake et al., 2022) by strengthening their corporate political activities (Hartwell & Devinney, 2022), aligning and/or challenging identity politicking weaponized by populist politicians (Panibratov et al., 2022).

### **Phase 3: The establishment of populism as an institution**

Within the first two phases of our model, the main driving force of populism was its anti-elitist orientation, as its key defining feature (Olivas Osuna, 2021). However, as populist leaders exhaust the redistributive benefits of their policies to their supporters (Dornbusch & Edwards, 1991), and

superordinate identification with the “disenfranchised” loses its potency, the attention of populist leaders turns from mobilizing structural and economic populism to utilizing the levers of political-strategic populism (Olivas Osuna, 2021) for the preservation of power and authority at all costs (Devinney & Hartwell, 2020). The underlying institutional theory lens in this phase is not one of *institutional logics*, with its emphasis on “macro structures and culture” (Thornton et al., 2012, p. vi). It is much more micro-foundational in nature, as offered by the *institutional work* strand of institutional theory (Lawrence et al., 2009). After adjusting/expanding their support base through political coalitions, populist leaders focus on tightening their grip through institutional rather and social identification means through widespread and deliberate institutional change (Hartwell & Devinney, 2021). Ironically, they become elite anti-elitist – a mockery of what they set out to fight against.

In the third phase of our model, the main driving force of populism becomes its anti-pluralist orientation (Morgan, 2020; Mudde & Kaltwasser, 2017). It is only at this stage, when populism becomes an internal feature of the socio-political system, that IB scholarship and MNEs usually become sensitive to the high levels of institutional volatility, uncertainty and risk associated with populism (Hartwell & Devinney, 2021). Having established an institutional architecture (Acemoglu & Robinson, 2019) which is intent on keeping “outsiders” and “foreigners” at bay through anti-immigration laws and trade protectionism, as well as preserving the homogeneity of the in-group through ethnic, racial and other forms of diversity controls (Bonikowski, 2016), the normalization of populism through social identity means becomes supplanted by a systematic erosion of checks and balances on the power of populist leaders (Hartwell & Devinney, 2021). Populist leaders in this regard become what Jupille and Caporaso (2022, p. 59) call “institution-making entrepreneurs” – purposeful actors who systematically disrupt institutions and re-create new ones in their favor (Lawrence et al., 2009)

This usually takes on the form of significant changes to the political system, abandoning political tenure limitations, seizing control over the media, as the fourth pillar of democracy, rejecting independent science and politicizing it, as a voice of reason and force for progress, and subordinating academia, as consciousness of society. It is this systematic elimination of checks and balances

which in addition to established social norms creates the recursive spiral of populism (Clemente et al., 2017) and helps solidify it as an enduring societal institution (Morgan, 2020).

**Proposition 7:** Triadic co-determination mechanisms and systematic elimination of checks and balances on populist power through institutional change reinforce the recursive spiral dynamic, ultimately helping establish populism as its own kind of institution.

Against the rise of populism and associated political risks, MNEs no longer just reactively co-evolve with their institutional environments (Cantwell et al., 2010) but exercise agency (Kostova et al., 2008). Expanding their NMS toolkits and taking a more proactive corporate political role (Hartwell & Devinney, 2022), MNEs play a part in all three ‘angles’ of the triadic co-determination mechanism. Through their engagement with national governments and multilateral bodies, they negotiate institutional structures that comprise the environment (Müllner & Puck, 2018; Yan et al., 2020) and provide legitimacy to political actors and their political causes (Panibratov et al., 2022). Their NMSs cater to (Culpepper, 2021) and influence normative behaviors in politics and society, which contribute to the normalization of populist ideology. As spaces for politics of identity and actors engaged in them (Vaara et al., 2021), MNEs also play a part in the recursive social psychology mechanisms of populism on the socio-cognitive side of triadic co-determination.

## DISCUSSION

### Implications for Populism Research and IB Theory

#### *Understanding populism*

The positioning of the populism-economic nationalism link as the first among the four “new realities” for IB research compels IB scholars, practitioners, and policymakers to broaden the scope and dig deeper into populism (Ghauri et al., 2021). We know already a lot about the nature of populism as a “syndrome” arising from the ultimate nexus of society, the economy, and politics (Blake et al., 2022). Be it in terms of a political economy perspective (e.g., Rodrik, 2018, 2021), institutional theory (e.g., Hartwell & Devinney, 2021; 2020), or implications for firm strategy (e.g., Blake et al.,

2022; Hartwell & Devinney, 2022), the recursive nature of populism is becoming better understood (Blake et al., 2022; Rodrik, 2021).

Yet, the underlying narrative around populism is still one of a “malaise” (Hartwell & Devinney, 2021), which also explains its academic performativity (De Cleen et al., 2018). As populism spreads across emerging and developed markets and continuously mutates in its nature, antecedents, and outcomes (Hartwell & Devinney, 2022; Rodrik, 2021), the integration of a social psychology lens (Aslanidis, 2020; Casson, 2021; Rodrik, 2021; Stathi & Guerra, 2021) with existing approaches to populism opens the doors to conceptualizing populism as a kind of “pharmakon” (Tormey, 2018). Originating from Greek language, *pharmakon* is a substance that acts as poison but can also be a cure, if dosed properly.

Being fully aware of the insidious economic effects of populism (Dornbusch & Edwards, 1991; Rode & Revuelta, 2015; Stöckl & Rode, 2021), we posit that populism, if “dosed” correctly, might also have some remedial effects on democratic societies – if, for example, appropriate institutional checks and balances can be maintained through supranational institutions (Hartmann et al., 2022) and effective global governance (Hoekman & Nelson, 2018). Exploring populist reason, Laclau (2005) was one of the first to explore populism as a vehicle for positive change.

We believe that (some) populists may be idealists who get corrupted by power along the way, which gives credence to better understanding the mechanics and social psychology of power relations within IB phenomena more broadly (Child, 2018). Future research in this area could explore the potential positive change and remedial effects of populism in terms of its redistributive and pro-business policies (Hartwell & Devinney, 2022), opportunities for MNEs (Panibratov et al., 2022), and/or keeping hyper-globalization in check through balancing the needs of SMEs and domestic businesses vis-à-vis MNEs and large firms which may abuse their market positions (Blake et al., 2022).

This also has implications for MNE research and institutional theory, as it builds a further case for extending existing research on MNE legitimization processes and the ability of MNEs to effectively manage “substantial institutional contradictions, voids and ambiguities” (Kostova et al., 2008, p. 1002). Studying populism and its link to MNEs, among other things, shines a light on an often-



overlooked area of MNE institutional theory research on institutional contradictions, praxis, and change pioneered by Seo and Creed (2002). Seo and Creed developed a framework that helps address the theoretical dilemma between agency and embeddedness within institutional theory. More recent research by Yan et al. (2020) on how MNEs address regulative institutional aspects of institutions related to outward foreign direct investments (OFDIs) in China has shown that MNEs can employ different types of institution-oriented strategies, including innovation, manipulation, defiance and adherence.

A negative view of populism, particularly exclusionary populism, leads to populism being scapegoated as “the sum of all ills”, overlooking the potential merits of more conservative political principles. An important research question arising from this perspective would be how policymakers (and the corporate sector) can better listen to the “voice of the masses” and how they can more effectively identify valid issues (i.e., moral outrage) and separate them from ideology or triable rage? We, however, fully agree with Hartwell and Devinney (2022) that the majority of populists’ pro-business policies seek to pursue narrow interests of populist insiders. Yet, this might not always be the case, especially if we have a fit-for-purpose system of global governance.

We believe exploring what potential remedial effects various types of populist policies might offer across the political spectrum is also important, as well as the necessary conditions of checks and balances for populist policies to be dosed and timed most effectively. With regards to bringing in new theoretical lenses (Ghauri et al., 2021), we also wonder how Bandura’s SCT can be more systematically integrated into IB research on populism to move beyond the current pick-and-mix attempts (Casson, 2021) which have drawn mostly on specific sociological concepts, like legitimacy, identity, and social norms (Blake et al., 2022). Lastly, we also wonder what conditions “flip” populist leaders from zealous idealists (Laclau, 2005) to dangerous strategically astute political entrepreneurs (Aslanidis, 2020).

#### ***MNE–institutional co-evolution and MNE–government interfaces***

The impact of populism on economic activity is undeniable (Bennett et al., 2023; Rodrik, 2021) and is marred by myopic macroeconomic policies (Rode & Revuelta, 2015). Yet, so far, populism has been

predominantly understood “as a political vehicle which increases political risk and forces firms to adapt” (Hartwell & Devinney, 2022, p. 1). Such a view has the potential to be misunderstood for a somewhat static and structuralist view in which MNEs appear to be “institution takers” adapting to game rules set by others (Jupille & Corporaso, 2022). The growing literature on firm NMSs (Blake et al., 2022) and corporate political responsibility (Hartwell & Devinney, 2022) has expanded our understanding of the strategic implications of political risk and different types of uncertainty on firm strategies via institutional volatility (Hartwell & Devinney, 2021). Informed by the literature on the co-evolution of MNEs and institutions (Cantwell et al., 2010), the understanding of MNE strategies with regards to political risks grounded in populism and nationalism has evolved considerably (Ghauri et al., 2021; Hartwell & Devinney, 2022). Drawing on power-dependence theory, research on MNE–government bargaining (Müllner & Puck, 2018) has been particularly promising in putting forward a more proactive (Casson, 2021) and agentic perspective in which MNEs manage sunk cost (lower theirs/increase the governments) and options (increasing alternative financing options for them and reducing alternative financing for governments seeking to attract investments).

The work by Hartwell and Devinney (2022) on corporate political responsibility points to how MNEs need to balance the benefits of political risk mitigation in the face of growing populist syndrome and the dangers of corporate social responsibility myopia that diverts “resources away from what it may desire to compete in the economic marketplace and forcing it instead to compete in the social and political marketplace” (Hartwell & Devinney, 2022, p. 1). This points to a new front for MNE internalization-externalization theory, which extends into the NMS space (Blake et al., 2022) and has profound implications for strategy research.

MNEs are no longer passive observers or recipients of political agendas, they are also active participants in shaping (geo)political boundaries. Related to this is the question of how MNEs act in situations of rising populism, and in particular, how they exercise “business power” (and to what effects). As Feldmann and Morgan (2021) show, companies’ instinctive response to “noisy” populist politics is to throw their weight behind the status quo to minimize uncertainty and volatility, which nevertheless, can lead to a backlash. This was the

case of the 2016 Brexit referendum in the UK, when MNEs resolutely supported the “remain” camp. However, Brexit also offers different examples: once UK’s departure from the EU became reality, some MNEs quickly adapted, aligned themselves with the positions of the populist government, and ultimately used the situation in their own favor. One such example is Nissan, which made a U-turn in its stance on Brexit in exchange for lofty benefits from the Tory party (Syafrian, 2020). This shows that not all companies are affected by populism in the same way. While populism may adversely affect some MNEs (e.g., export-oriented manufacturers), it may benefit others (e.g., those operating in sectors deemed of strategic importance or national interest) (Culpepper, 2021).

MNEs do not necessarily need to publicly endorse a specific policy – be it populist or not. Their covert political strategies, corporate social responsibility projects or even apparent “neutrality” can all help in the diffusion and legitimization of populist policies and practices (Panibratov et al., 2022). Moving forward, the role of global firms as actors in geopolitics has been significantly reshaped by the war in Ukraine that started in 2022. During the first weeks of the war, most global brands decided to suspend/withdraw from conducting business in Russia and joined policymaker economic sanctions. This divestment campaign was to a great extent framed as an act not just out of adherence with the sanctions against Russia, but rather as a morally driven collective action with a strong social psychology aspect to it. This supports the view that MNEs are motivated by a combination of moral and long-term material concerns about future consequences on society (Kinderman, 2021).

Future research on populism exploring the co-evolution of MNEs and institutions or the power dynamics of MNE–government relationships could also look at more proactive types of NMSs and the specific capabilities associated with such capabilities. In addition to the micro-strategies identified in MNE–government bargaining by Müllner and Puck (2018), future research could also explore potential macro-strategies related to social identity mechanisms and collective actions led by MNEs (Raškovič & Takacs Haynes, 2021).

The potential research questions arising from this research direction can explore what role have MNEs (as lightning rods of popular anti-globalization sentiment) played in the evolution of populist discourses pegged to economic globalization, as well as how MNEs could work with governments to

offset the displacing effects of their international activities on their home markets in a more targeted manner within specific industries and/or regions.

As MNEs take on a more socially responsible and active role in addressing global grand challenges and taming so-called “wicked problems”, it will be interesting to see how a social identity MNE toolkit (Raškovič & Takacs Haynes, 2021) can be effectively used to support our SCT populism framework. For example, through their ecosystems and army of followers MNEs can become powerful platforms for social change or arise as prominent stakeholders in international relations (Raškovič, 2021). Both aspects have direct implications for populism research.

### *Institutions and institutional theory*

Institutional theory has been an important lens to examine populism within the IB literature through either Rodrik’s (2018) economic globalization trilemma, exploring the link between political risk, uncertainty, and institutional volatility (Devinney & Hartwell, 2020) or discussing the implications arising from institutional volatility for MNE strategy (Hartwell & Devinney, 2021, 2022). The theoretical critique offered by Kostova et al. (2008) have pointed to the close link between MNE research and institutional theory. Kostova et al. outlined the importance of exploring socio-cognitive processes in MNE contexts, which go beyond the relevance of a microfoundational lens on IB strategy (e.g., Contractor et al., 2019). For example, they have highlighted the importance of understanding the negotiated processes that link the individual actors’ understanding of their complex institutional settings (either within the MNE or in society) and the “political nature of the collective institutional process, which will lead to an institutional reality characterized by pluralism” (Kostova et al., 2008, p. 1002) – as the antithesis to the recursive nature of populism.

Research on NMSs and endogenous political risks associated with populism (Blake et al., 2022) has provided fertile ground for exploring the relationship between populism’s recursive dynamics (Rodrik, 2021) and the corresponding processes of institutional change (Hartwell & Devinney, 2021). The latter have, however, been mostly confined to exploring either organic types of changes through institutional weakening (Blake et al., 2022) or institutional capture (Chesterley & Roberti, 2018; Devinney & Hartwell, 2020).



We believe that research on populism by IB scholars has the potential to resolve the challenges of a “thin” view of institutions within the IB literature (Jackson & Deeg, 2019), as well as resolve the theoretical dilemma of agency vs. embeddedness in MNE research informed by institutional theory (Seo & Creed, 2002). Adding a social psychology lens to populism (Casson, 2021) provides a socio-cognitive context for populism (Rodrik, 2021). It can help strengthen the cognitive pillar of institutional theory, which has been traditionally the weakest in terms of Scott’s (1995) three-dimensional view of institutions, and which has also comprised an important theoretical linchpin in the critique offered by Kostova et al. (2008) in terms of MNE research informed by institutional theory.

Future research in this area should explore what role have technological development, global governance, and supranational institutions played in processes and outcomes that populists and their constituents fault all aspects of globalization (Hoekman & Nelson, 2018). These issues have become central also within MNE research. An interesting research question to be explored within this direction relates to distinguishing between the additive and compounding effects of global economic integration, technological progress, and global governance failure on socio-economic issues weaponized by populist parties and their leaders. A second interesting research question could be related to the conditions under which supranational institutions play a complementary and/or a substitutive role with regards to populism (Hartmann et al., 2022) – particularly as it spreads across national borders (Ghauri et al., 2021). Again, as socio-political actors, MNEs play important roles within such complementary-vs-substitutive trade-offs which carried implications also for MNE internalization-externalization theory (Hartwell & Devinney, 2022).

A second future research direction could explore the proto-institutional logic of populism at the national level (Yan et al., 2023), which would go beyond the de-institutionalization processes described by Blake et al. (2022). Such a research direction could hold wider implications for understanding institutional change processes (Greenwood et al., 2002) and global change. Some of the most interesting research questions arising from this research direction would be: Which social processes and cognitive mechanisms shape populism’s proto-institutional dynamics at the country

and organizational levels? What role do MNEs and IB policies play in diffusing and legitimizing populism across these processes? How can the proto-institutional logic of populism help enhance our theorization of global institutional changes at a supranational level? What role do MNEs play in negotiating such processes with respective national governments and supranational bodies?

### Implications for IB Policy Research

In addition to the *pharmakon* logic, there is also great theoretical value in re-conceptualizing populism as a wicked problem, especially for IB policymakers (Raškovič, 2022). Wicked problems exist at the interface of society, the economy and policy-making, and arise from a multitude of stakeholders with conflicting needs and views. Both complex and complicated, wicked problems resist definition and cannot be tested for optimal solutions. They hold important moral implications for decision-makers and should be thought of as unsolvable problems which *can*, however, be tamed and their consequences mitigated (Raškovič, 2022).

As Rodrik (2018) pointed out in his trilemma, the nexus between global economic integration, macroeconomic sovereignty, and democracy (as a form of “mass politics”) holds a series of relationships that need rebalancing and hold important policy implications (i.e., capital vs. labor, the economy vs. the rest of society, global vs. local, etc.). On the IB policy side, policymakers need to have the resources and develop the capabilities for addressing wicked problems. Taming wicked problems requires collective actions and coordination of diverse stakeholder groups (Raškovič, 2022). Given the discursive nature of populism and the salience of identity politics, IB policymakers should better understand how political ideology can shape institutions and influence economic activity (Bennett et al., 2023) through narratives.

The mechanics of narrative economics (Schiller, 2017) should also be applied by IB policymakers, not just by strategically astute populist political entrepreneurs. It is in this context that different types of political systems and the accompanying political cultures shape the effectiveness of populist strategies and the necessary checks and balances to push back against populism, while also having an influence on the forms of political mobilization and exercise of “mass politics” (Devinney & Hartwell, 2020). These issues, however, fall mostly under the political strategic approach to populism within political science. On the side of global

business, as MNEs develop their political risk handling capabilities (Blake et al., 2022; Hartwell & Devinney, 2021) and corporate political responsibility (Hartwell & Devinney, 2022), the IB policy literature will become an essential element of understanding non-market strategic management and corporate political activity.

Preparing IB policy for the new era of global flux (Aguilera et al., 2019) and corresponding IB opportunities and challenges (Ghauri et al., 2021), future research in this area should look at extending both the scope and nature of the double helix of IB policy introduced by Lundan (2018). It should: (1) refocus from addressing “failures” to addressing “tensions” and recursive mechanisms, (2) expand the institutional level of the double helix framework to include both national and supranational institutions, and (3) move beyond the market to address other social stakeholders (as firms expand their NMSs).

The most obvious research question connected to our SCT populism framework relates to the design of more effective IB policies which can foresee the agentic responses of key stakeholders (Bennett et al., 2023). By re-framing populism into a wicked problem, a second important research question arises: If populism cannot be defeated (Casson, 2021), how can it be tamed and perhaps used as a vehicle for positive change (Laclau, 2005) or at least productive experimentation? A third research question for IB policymakers arising from the re-framing of populism into a wicked problem is how to match the political entrepreneurial nature of populist leaders (Aslanidis, 2020) with an equally competent form of institutional entrepreneurship at the national level (Raškovič, 2022)? Such forms of entrepreneurship could then also feed into a fit-for-purpose system of global governance (Hartmann et al., 2022; Hoekman & Nelson, 2018) to combat the transnational nature of populism (Hartwell & Devinney, 2022).

## CONCLUSION

We live in times of global flux and increased polarization (Aguilera et al., 2019) in which the destructive effects of economic hyper-globalization (Rodrik, 2018, 2021) have outweighed the otherwise civilizing and/or feeble nature of globalization itself more broadly (Guillén, 2001) – reshaping social identities and setting in motion mass political mobilization (Rodrik, 2021). Arising from a permanent political undercurrent (Bonikowski,

2016), populism has spread across emerging and developed markets (Hartwell & Devinney, 2022) ushering a new reality for IB (Ghauri et al., 2021) and IB policy (Casson, 2021) – a reality fraught with challenges for some MNEs and opportunities for others (Culpepper, 2021).

The recursiveness of populism (Rodrik, 2021), as the “ultimate socio-political nexus” (Blake et al., 2022, p. 2), has made it a source of endogenous political risk – increasing the relevance and nature of firms’ non-market capabilities (Blake et al., 2022) and corporate political responsibility that also has implication for MNE internalization-externalization strategies (Hartwell & Devinney, 2022). Yet, it also brings with it some opportunities for MNEs that can adapt to survive (Yan et al., 2020) or perhaps “bargaining” with populist governments (Müllner & Puck, 2018). Populism’s re-framing from a malign syndrome into a wicked problem has the potential to advance IB policy through understanding the value of stakeholder-oriented collective action (Raškovič, 2022) shaped by a specific social psychology arising from the nature of economic globalization (Rodrik, 2021). In doing so, we can also begin to explore populism as a 21st century socio-political pharmakon.

Recognizing the relevance of a social psychology lens to explore various phenomena associated with globalization more generally (Reese et al., 2019), we have joined an emergent stream of researchers applying a social psychology lens to populism across the social sciences (Aslanidis, 2020; Stathi & Guerra, 2021), economics (Rodrik, 2021) and IB (Casson, 2021). We have proposed a SCT populism framework which is compatible with both the recursive nature of the populist syndrome proposed by Blake et al. (2022), as well as recent developments within the IB literature connected to co-evolutionary dynamics between MNEs and institutions (Cantwell et al., 2010), MNE–government power dynamics (Müllner & Puck, 2018; Panibratov et al., 2022), global institutional changes (Westney, 2021), proto-institutions (Yan et al., 2023), the role of supranational institutions (Hartmann et al., 2022) and/or fit-for-purpose global governance (Hoekman & Nelson, 2018). The integration of all these institutional perspectives can also help break the predominance of neoinstitutional theory in MNE research (Kostova et al., 2008).

The proposed framework helps answer our two research questions: How populism arises (RQ1) and establishes itself as an institution (RQ2) in the global environment? Our framework should be



understood as “appreciative theory” providing IB scholars, managers and policymakers “a more complex web of causal associations (...) closer to real-life situations” (Cantwell et al., 2010, p. 573) where economic dislocations caused by globalization can fuel populist forces directly (i.e., the economic argument) and/or indirectly through socio-cultural mediation (i.e., the cultural argument), according to Rodrik (2021).

We fully agree with Ghauri et al. (2021) that the new era of IB calls for a broadening of scope (i.e., NMSs, corporate political activities, political risk, etc.) and deepening of how we examine IB phenomena (i.e., the populism-nationalism nexus, identity politics, inequality, etc.). Such expansion should also be accompanied by a more meaningful incorporation of theoretical lenses (Ghauri et al., 2021), especially from the other disciplines across the social sciences (Casson, 2021). As the mainstream IB literature starts leveraging the potential of social psychology in exploring multi-level socio-economic phenomena at the nexus of the self and the collective – with social identity and agency as key forces (Rašković & Takacs Haynes, 2021; Takacs Haynes & Rašković, 2021) – we welcome the call by Mark Casson (2021) for more of social psychology to make its way systematically into IB policy theory with strong theoretical reasoning. Research on populism offers plenty of that and can also revitalize the IB discipline and MNE research.

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## NOTES

<sup>1</sup>Hitt, Arregle, & Holmes, Jr., (2021) outline three important implications of such non-ergodic conditions for the MNE, namely: (1) the existence of radical, deep uncertainty; (2) quantum, discontinuous types of changes; and (3) dynamic equilibria logics arising from dynamic systems that continuously evolve and change, even in the absence of external shocks.

<sup>2</sup>For a full explanation of the dynamic model of the populism syndrome by Blake et al. (2022), please see their Figure 1.

<sup>3</sup>Globalization has made almost everyone better off (Witt, 2019). The critical stance adopted in this paper focuses on the negative aspects of *economic* hyper-globalization, and does not consider the “civilizing effects” and positive effects of globalization in more general terms. In terms of our philosophical stance on globalization, we follow Fukuyama’s (2018) view of globalization, as the changing interdependence in the nature, level, and intensity of social relationships among all actors in society.

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