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Social Challenges for Business in the Age of Populism

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1. Introduction

The last decade has seen the rise of populist leaders and parties around the world. Despite some setbacks, such as the electoral defeats of US President Donald Trump in 2020 and President Jair Bolsonaro of Brazil in 2022, populism remains a powerful force in those countries as well as entrenching itself elsewhere as a result of elections, e.g., Orbán in Hungary, Meloni in Italy and Erdoğan in Turkey in 2022-23. Even in countries where populists fail to control executive or legislative power, they can be highly influential in shaping the policies of mainstream parties either directly through participation in coalitions (e.g., in Finland) or from outside the government by threatening future electoral defeats (e.g., in Austria, the Netherlands, Belgium).

Researchers in business and management have only gradually begun to acknowledge the significance of these political challenges for their impact on firms. A growing literature has begun to emerge, drawing from existing research in political science to understand the nature of populism and then asking what this might mean for business. In particular, these debates have linked to existing discussions of the nature of corporate political activity (CPA) (Hillman et al., 2004; Katic & Hillman, 2023) and nonmarket strategies (Blake et al., 2022) seeking to examine how CPA evolves in the context of this new populist dominated political environment. Building on this research, the central theme that has emerged is how the political uncertainties

and risks generated by populism as a specific mode of governance affect firms' CPA and nonmarket strategies.

Researchers have explored a number of ways in which, depending on the variety of populism faced by firms, the nature of the markets in which they are located, and the degree of power exercised by populists, firms' CPA evolves and changes (Devinney & Hartwell, 2019; Schnyder & Sallai, 2020; Feldmann & Morgan, 2023; Sallai *et al.*, 2023; Moffitt, 2020). While many of these risks and uncertainties lie in the economic sphere, such as the rise of protectionism and tariffs, the disruption of supply chains, the uncertainty over migrant labor, the implementation of populist taxation and redistribution policies, the influence over expansive monetary policy and its implications for inflation etc., the challenges go much further. In particular, the nature of populism is not confined to economic issues; on the contrary, populism generally includes a framework of social values linked to issues of identity, family, nationalism, religion, and morality, as well as broader views on the nature of the state and the role of knowledge, science, and expertise. Populism engages with these social issues in various ways, both as a means to activate and mobilize support and to legitimate its relationship with and policies towards intermediary institutions such as the judiciary, the media, the civil service, as well as in relation to business.

It is these challenges to social values and how they impact business which is the object of this themed section. Populism in the current period increasingly challenges some of the shibboleths of the last few decades, such as the reputational importance for firms in demonstrating that they are acting in a socially responsible way in terms of the environment and climate change (see Gomes and Böhm, 2023 on the far-right and climate change governance), in terms of ensuring diversity and equal opportunity for the workforce (Cumming, Wood and Zahra, 2020), in terms of supporting human rights as in the UN Global Compact

and acting responsibly in relation to the rise of refugees and global migration trends (see Crane, Matten and Moon, 2008 on corporate citizenship; on the broader issue of capitalism, corporations and citizenship see Bakker *et al.*, 2020). Over the last two decades, large multinational firms have sought to increase their legitimacy by committing themselves to many of these values. Whilst the effectiveness of these actions has been challenged, they have become embedded in a range of public-private agreements as well as in highly publicized indices influencing the policies of investors. How, then, do businesses respond when populist leaders turn the tables and reject many of these policies and the values associated with them? In general terms, we can suggest that the result is increased uncertainty and volatility for firms that have been seeking to build on and develop their commitments to socially responsible business in various ways. The goal of this themed section, therefore, is to explore in more detail the impact of this rise in populism on particular areas of CPA and nonmarket strategies and in areas of corporate social responsibility.

In this introduction, we provide a framework for understanding the nature of the current populist upsurge and why in comparison to the previous period leading up to the 2008 Global Financial Crash, populist power introduces high levels of risk and uncertainty into the political arena for business. In the second section, we briefly review how populism creates new levels of volatility in the environment in which firms operate and how they respond to this. Thirdly, we focus on the challenges that populism creates for firms that have begun to take on board agendas of social responsibility and have been engaging in CPA. Drawing on the papers in the themed section, we consider what CPA and nonmarket strategies are possible for firms in this context. Finally, we discuss areas for further research in relation to the impact of populism on business and its role in social responsibility arenas.

2. Understanding Contemporary Populism

Whilst there are many debates on the nature of populism, its different historical forms, and its variation across different national contexts (see Kenny, 2017; Mudde & Kaltwasser, 2017; Müller, 2017), most theorists emphasize how such movements are premised on the idea that societies are divided between 'the people' and 'the elite'. Populism claims to speak on behalf of 'the people' and against 'the elites', who are seen as corrupt, manipulative and exploitative. These elites, populists and their supporters claim (see e.g. Goodwin 2023 on the UK), control the state, the courts, the media, the central bank and the financial institutions for their own benefit and ignore the impact of these policies on the mass of the people (e.g. the debate on immigration in Europe and the US and its link to globalization, deindustrialization, and regional economic decline). Mudde describes this contemporary form of populism as a 'thin-centered ideology' (Mudde, 2004, 2021; Mudde & Kaltwasser, 2017) built around the dichotomy of 'corrupt elites' and 'virtuous people' but lacking any detailed shared ideological framework, common political program or agreed policies.

Populism can attach to itself various policies traditionally associated with left and right-wing parties but, as it has no strong ideological foundations besides the elite/people trope, it can easily mix policies from left and right and it can also drop policies with little apparent damage to its electoral base. This approach to populism has two important corollaries. First, it puts the core idea of a fractured society split between elites and the people at the heart of its discourse, an idea that can be endlessly utilized to critique existing institutions, established businesses and mainstream political parties, particularly where trust in government is low. Second, whilst the framework of 'elites versus people' is consistent across populisms, there is no strong ideological program of coherent and inter-linked policies that is shared across different populist parties.

The 'thin-centred' nature of populism as a set of ideas (compared, for example, to liberalism, conservatism, socialism) means that in practice, populism must be supplemented

with other ideas, often taken from these more comprehensive ideologies but in an ad hoc way. One benefit of this is that populists are not held to account for a single coherent set of policies and, on the contrary, can be highly eclectic, not to say contradictory, in the policies which they espouse. Populist movements are not held together by carefully constructed policy programmes. Instead, they are often dominated by a strong leader who claims to embody and advance 'the will of the people' against the elites and is supported by a political party structure that is in thrall to the leader usually lacking any strong independent capacity to develop policies. The party basically acts as an endorsement of and a vehicle for the advancement of the leader (as the Republican party in the US did for Trump, especially in the 2020 election when it did not even produce a manifesto, relying instead entirely on Trump's pronouncements).

Populism in the current period, therefore, has a strong 'performative' element (Moffitt, 2020). The leader 'performs' towards his/her followers in ways that demonstrate their 'authenticity' as part of the people and not the elite (regardless of their background or how much part of the 'elite' they have previously seemed to be). In speech, in social media and modes of public address, the leader typically evokes a coarse and provocative style, personalizing attacks on enemies and invoking forms of actual and symbolic violence. Policies are thrown out as tag lines with little detail and then repeated on social media *ad infinitum* regardless of 'truth' (Gurieva and Triesman, 2022).

As part of their performance, populist leaders surround themselves with symbols that resonate with their version of 'the people', e.g. guns, military attire, bibles, (Lapper, 2021; Rachman, 2022). Much of this style of politics can be considered as deliberately designed to create 'wedge' issues that, on the one side, through simplicity and directness, solidify support (among the so-called 'base') for the populists and, on the other side, provoke incendiary responses from non-populists (Klein, 2021). This fracturing and intolerance of opposition undermines the basis of liberal democracy in terms of a commitment to pluralism, losers'

consent, and respect for opponents (Levitsky & Ziblatt, 2018; Runciman, 2018; Urbinati, 2019a; Muller, 2021; Walter, 2022). The result is to destroy the centre ground and force an ‘either you are for us, or you are against us’ mentality. Institutions that might have been seen as above such high levels of political partisanship, such as independent central banks, the judiciary, the civil service, public service broadcasting, and experts in general, face the same challenge: either support the populists or find themselves accused of being ‘enemies of the people’, ‘anti-democratic’, elitist. Similarly, institutions such as electoral systems and legislatures are attacked when they delay or question the populist leader’s policies. Their procedures and processes are labeled by populists as being corrupt and fake, not representing the ‘will of the people’. Pluralist ideals of respect for election outcomes are undermined rhetorically, helped by populists exercising control over the media, thus spurring on populist governments to change electoral laws in ways that improve the chances of embedding populist majorities.

The populist leader claims the direct line to the people, and particularly where power is gained through electoral means, any intermediary institution standing in the way of the populist is going to be subject to attack or forced to change, e.g. by changing the composition of the judiciary, by weakening the independence of the media, by undermining civil service neutrality, by rejecting the advice of experts and replacing them with political appointees lacking technical skills and knowledge. (Sadurski, 2022). If populist rule becomes entrenched, then the effective implementation of such policies leads to forms of illiberal democracy in which the populist leader reshapes the institutions of society such that in spite of the trappings of elections and democracy, the system is so constructed that there is little room for the defeat of the populists and one-party rule becomes embedded (Applebaum, 2020).

This style of politics had a particular impact on business because it emerged in the context of disrupting the forms of neo-liberal governance that had dominated from the 1990s

in many countries. Although there are variations across countries in how neoliberalism was defined and implemented, as many commentators have observed, from the 1980s onwards, there were certain commonalities. After the destruction of trade union power in many contexts, the rise of neo-liberal economics was characterized by the dominance of markets through regulation and, deregulation and through privatisation (Baccaro & Howell, 2017). A particular form of governance of relationships emerged, described as 'network governance' (Stoker, 2019; for a critique of the network governance model, see Davies 2011) to emphasize how different groups, including business, became an essential part of the policy-making processes. This reflected two processes. The first was that to make markets work in the way described by neo-liberal economics, governments sought to bring into the process experts and expertise from the private sector. This involved incorporating business onto committees, using businesspeople as advisers and consultants on government projects, and creating a revolving door between government and business.

This process necessitated building networks of companies and individuals that could be trusted to work together in the background, in what Culpepper (2011) described as the arena of 'quiet politics' where issues important to business but lacking in saliency for the electorate could be resolved and settled with minimal scrutiny. These processes worked using a technocratic frame based on the assumption that the main parameters of the neoliberal economic system (market primacy, deregulation, privatisation, monetary stability and low inflation) were agreed upon and implemented (Peck, 2010; Cahill & Konings, 2017). The experts' role was to ensure that they continued to work properly. The creative destruction capabilities of large firms and their global supply chains (Gereffi, 2018; Ponte et al., 2019) could disrupt markets and social order if not appropriately managed and bound by mutually agreed rules between business and government (with minimal input from other potential stakeholders).

Thus, rules needed to be established to make markets work and were monitored and policed often by intermediary institutions that were not themselves elected, e.g. courts, governmental agencies, central banks, private regulators and by business itself (Vogel, 2018). Such processes were often national, where some control through democratic institutions could be achieved but many were international and deliberately worked far removed from the scrutiny and control of electors (Slobodian, 2018). This added to a growing 'democratic deficit' that became increasingly obvious after the 2008 Global financial crash when in places like Italy and Greece, governments were removed and replaced (or forced to adopt certain policies despite their electoral commitments) not by electorates but in response to the demands of financial markets and international bodies such as the EU and the IMF international institutions such as the IMF, the World Bank, the WTO as well as NAFTA, later the USMCA (on the EU, see in particular, Schmidt 2020; also on the broader global context (Gerstle, 2022).

The democratic deficit engendered by these institutions and their role in shaping key national policies (most obviously from on the one hand, facilitating global offshoring and selective regional deindustrialization and on the other hand, being central actors in developing austerity programmes in the light of the impact of the 2008 Global Financial Crash), added grist to the populists' complaints about the loss of democracy and national sovereignty. Mainstream parties had begun to lose votes during the 1990s and 2000s, either to abstentions or to populist parties rejecting this neo-liberal consensus and espousing strong nationalist approaches (Crouch, 2004; Mair, 2012).

By contrast, neoliberal think tanks funded by large businesses continued to develop policy ideas and rules and to develop cadres of insiders to these networks who circulated from government, business, the media, universities and think tanks (Medvetz, 2014; Mirowski & Plehwe 2015) reinforcing the idea that this was a 'new elite' that had captured control of society and politics (Goodwin, 2023). This new elite could be labeled by populists as metropolitan,

cosmopolitan, intellectual, liberal, out-of-touch 'citizens of nowhere' (as the British Prime Minister, Theresa May, labelled anti-Brexiteers in 2016; Goodhart, 2017).

In parallel, a second process grew in importance. Businesses became more involved in the sphere of lobbying and influencing legislators. This was facilitated by the decline of constraints on businesses using funds to support certain policies and politicians, but it was also pushed forward by the increasing focus on shareholder value which led firms to a narrow concern with their own profitability rather than a more collective business voice on the big social issues of the day (Mizruchi, 2013). Elected assemblies everywhere became surrounded by lobbying groups, amongst which business was by far the most powerful because of the funds it could devote to this and because of its legitimacy in the era of neoliberal governance as the central actor in securing economic growth (Cave & Rowell, 2014; Mayer, 2016; Leonard, 2019; Wedel, 2016). Other lobby groups, such as labour, environmentalists, etc. were not kept out of these networks but incorporated at the periphery and with limited power compared to the power of business (Davies, 2011; Davies et al., 2018).

It was this mode of governance that populists increasingly described as the establishment elite that controlled government and made decisions and policies based on its interests, ignoring 'the will of the people' Even after the 2008 Global Financial Crash, authors noted the remarkable resilience of this model of governance and its ability to recover its legitimacy even though it was responsible for the massive downturn and extended periods of austerity following 2008 (Crouch, 2011; Schmidt & Thatcher, 2013). However, underlying this resilience was the bubbling up of anger and disillusion in many societies and the growth of anti-system politics (Crouch 2020: Hopkin, 2020).

From the early 2010s, this manifested itself in the rise of a new wave of populism in Europe and the Americas that changed the electoral composition of legislatures and the nature and use of elected executives. As mainstream parties lost their legitimacy and support because

of their failure to deal with the extended consequences of 2008 (Tooze, 2018; Thompson, 2022; Wolf, 2023), populist leaders sought to call forth disillusioned electors into a new movement to purge the elite and revivify the political realm by establishing a more direct and personal relationship between the leader and ‘the people’.

Shattering this neo-liberal network governance has been a central goal for most populists once they gained power as this was the site of the 'elite' and its supporters. They have sought to replace it by centralizing powers and initiatives around the figure of the populist leader who claims to be the authentic voice of the people. The leader's pronouncements are not mediated by networks, instead emerging through speeches, tweets, Facebook and Instagram. Such pronouncements are not entirely unmediated as populist leaders have tended to create an inner circle of advisers that could be trusted primarily because their fate was so intertwined with the populist leader that they cannot oppose him/her without threatening their own defenestration.

This means that family members surround the populist leaders and are entrusted with roles for which they lack any technical capacity or competence other than their willingness to do whatever they are told, as demonstrated by both Trump and Bolsonaro, where sons and daughters and their spouses took up important roles that were normally reserved for professional politicians, skilled administrators and diplomats and technical experts. In many instances, the institutions of network governance are therefore destroyed or left to atrophy under populist leaders. Trump’s attack on what he described as the ‘deep state’ led to many public servants leaving and weakening the knowledge inside their agencies. This outcome was often welcomed by Trump, who put in place cabinet secretaries or CEOs who had actively campaigned against the goals of the departments and agencies they were now supposed to be leading (Parshall & Twombly, 2020; Skowronek et al., 2021).

Intermediary non-majoritarian institutions such as the judiciary, the civil service, the central bank, and scientific expertise were undermined on the basis that the populist leader represented the ‘will of the people’ (Canovan, 1981, 2005; Weale, 2018; Urbinati, 2019b; Chatterjee, 2020) and should not be constrained by these non-elected bodies. This reliance on the wisdom and intuition of the populist leader and the devaluing of expert advice permeated issues such as the climate change debate, the economics of trade and monetary policy, the economic impact of migration, how to respond to COVID death rates (Ringe and Renno, 2023; Hartwell and Devinney 2021). and issues of gender, identity, and the family. These changes meant that businesses, in turn, no longer had the same automatic access to decision-making processes, and their influence over what the populist leader said or did became increasingly uncertain and reactive (rather than proactively guiding government policy) (see e.g. business in the Brexit campaign: Feldmann & Morgan 2021; Grey, 2021). Bolsonaro adopted a similar strategy in Brazil whilst closing his inner circle and ostracising experts in all sectors, with the exception of the economy, relying on the expertise of Paulo Guedes to ensure the support of the financial elite with its narrow deregulation and privatisation agenda (Doering et al. 2023).

To summarise, populist leaders appeal to their supporters on the basis that they represent the people against the elite. Their aim is primarily to define who constitutes 'the people' and to bring them onside in elections and in other battles against intermediary institutions that might constrain the power of the populist leader. Many populisms emphasize membership of 'the people' based on exclusionary principles of race and ethnicity, thereby marginalising with greater or lesser invective linked to symbolic and actual violence, different religions, ethnic groups, and nationalities. This is linked to culture wars and exacerbating tensions with those who disagree. Others tend to focus on a more inclusive definition of the people, with the excluded constituted by the 1% of the very rich.

From the point of view of business, populism, therefore, creates a number of uncertainties and risks:

1. The populist leader comes without a clear set of policies and programs so it is hard to predict what may emerge in the future and to make necessary adaptations.
2. The populist leader, in the search for authenticity and immediate contact with his/her base, throws out multiple ideas and suggestions, often knowing they are outrageous and impossible to implement but also aware that they will appeal to and empower the base, as well as fermenting anger and protest from enemies (which in turn usually serves to reinforce the base). Again, it is difficult for businesses to predict what may or may not emerge policy-wise from this ferment.
3. This is reinforced by the way in which populist leaders undermine the capacities of the state to develop, implement and monitor policies. In many cases, the populist leader sabotages the state by making appointments from people without the political commitment or technical skills to administer the part of the state which they have been put in charge of.
4. Populists tend to destroy network governance and replace the expertise and the process of negotiation with the inner circle around the populist leader, which takes decisions on the basis of 'instinct' and of supporting the interests of the populist leader and the inner circle.
5. Populists attack the intermediary institutions that have developed to provide the sort of stability that business requires.
6. Populists attack international institutions that have emerged to stabilise trading relationships manage international relations, instead labeling them as restrictions on national sovereignty.

7. Populists are willing to attack businesses in the name of ‘the people’ if they perceive companies as undermining their policy goals such as reshoring jobs. *Ad hominem* attacks on particular business leaders ridiculing them and their colleagues reinforce the populist leader's support amongst parts of the electorate. Instruments of the state, such as the law, the tax authorities, regulatory and licensing bodies, even the criminal justice system, can be called upon to deal out the revenge of the populist on companies that challenge him/her, impacting reputationally and financially.

In all these ways, therefore, populism creates an environment of volatility, risk and uncertainty for business.

3. Corporate Political Activity, Nonmarket Strategies, and Risk and Uncertainty in the Populist Era

The idea that firms undertake corporate political activity and nonmarket strategies in order to manage political risk and uncertainty has become increasingly important in the field of business and management and is increasingly being applied to the relations between business and populism. In this section, we focus on three key sets of issues:

- How much risk and uncertainty is created by the particular form of populism under consideration?
- Which firms are particularly affected by risk and uncertainty under different forms of populism?
- What sorts of CPA can particular types of firms undertake in order to adapt to populism and mitigate risk and uncertainty under populism?

We consider each of these in turn with a particular emphasis on the social challenges populism creates for business.

Varieties of populism

Populisms can be distinguished in a variety of ways that are relevant to the impact on business.

Left versus right-wing populism: Left-wing populism draws the boundary between the people and the elite primarily in economic terms and in terms of the extent of inequality in society. It, therefore, primarily promotes redistributive policies that tax the rich and corporations in order to support the poor in various ways. It tends to be inclusive in terms of its definition of the people (the 99% versus the 1%), drawing on forms of left-wing nationalism to articulate class solidarity in the population against the capitalist enemy, which in turn is often linked to the power and influence of the US inside the key institutions (in Latin America, the Bolivarian tradition carries elements of this nationalism and anti-Yanqui ideology into its ‘inclusionary turn’; Kapiszewski et al., 2021). This form of populism, most obviously present from the Peron era into the current period in Latin America (De La Torre & Arnson, 2013), has historically tended to lead to the decline of private investment, particularly FDI, phases of nationalization, particularly of resource-based industries and the rise of inflation as governments have sought to redistribute through cash transfers supported by the printing of money as currency values have plummeted due to foreign exchange imbalances.

These policies have led to economic crises caused by rising inflation, debased currencies and the management of state resources to serve direct political purposes leading to poor management of state enterprises, their use as sources of corruption and a consequent lack of technological investment and upgrading. In turn, such policies often lead to the necessity to seek IMF loans in return for which populist policies were in theory to be abandoned and austerity imposed (Conniff, 1999; Edwards, 2010; De La Torre & Arnson, 2013). Argentina, for example, has been trapped for some decades in cycles of populism (internally generated)

and phases of neo-liberalism (enforced from outside as a condition of international loans) (Levy, 2017).

By contrast, right-wing populism tends to be exclusive and exclusionary, based on strong ethnic, nationalist and in some cases, religious definitions of the people and identifying the 'corrupt elite' with support for globalization, immigration and cosmopolitan values and international institutions to the detriment of national sovereignty. Right-wing populism has tended to be highly eclectic in its choice of economic policies as in the case of Trump, advocating protectionism and tariffs in some areas whilst at the same time supporting neo-liberal deregulation and low taxes.

As emphasized by Devinney and Hartwell (2023) in this themed issue (see also, Feldmann and Morgan, 2023), these varieties of populism have very different implications for business. Left-wing populism threatens business much more directly than right-wing populism in terms of nationalization, increased taxation for rich individuals and corporations, inflation, and the role of trade union and worker control. Right-wing populism is basically friendly to business at a general level but can also turn against business when seeking to pursue aspects of its populist agenda (see e.g. Boris Johnson's response to business concerns about Brexit; 'Fuck Business' (Anderson, 2019).

Highly institutionalized environments versus institutional voids. In highly institutionalized environments, where rules and norms have been established for some time and are embedded in the normative, cognitive and regulative practices of significant sections of the population and within the state, then the ability of populists to disrupt or shift the rules is constrained. Courts, civil services, central banks, and domains of expertise in science, economics and technology that have been established over decades create an inertia to change. Populists may identify this as 'the establishment', the 'blob', 'the swamp' and they may use their powers to alter

this, e.g. as Trump, Orbán, Erdogan, Modi and other populists have done elsewhere to change judiciaries in their favour, to get rid of independent civil servants and replace them with political supporters. Nevertheless, where institutions are strong, the power of populists to effect change may be limited or require long-term planning as to how to overcome these obstacles. Opponents may be able to use institutions to stop the forward march of populists (Rothkopf, 2022; Campbell, 2023). By comparison where institutions are weak or institutional voids may be said to exist, then populists may find it easier to push forward their rhetoric into policy areas and seek to create their own institutions. Whether business can draw on the support of institutions to protect itself against the uncertainty and volatility of populism therefore, varies greatly according to the nature, durability and adaptability of institutions.

Time, maturity and contingency Populist regimes vary in terms of the length of time they are influential. In the early stages of a populist government where momentum and enthusiasm for the populist leader is likely to be strong, there will be high volatility and uncertainty as populists seek to use the instruments of state to establish their dominance against potential opponents further, deepening fractures between populists and the rest, challenging existing institutions and mapping out new directions for society and for politics. This may be tempered where electoral victory is narrow but where populists have achieved super-majority as in Orbán's Hungary, this may lead rapidly to major institutional change (Schnyder & Sallai, 2021). The challenges for business are different depending on whether populists are still insurgent forces not yet in government or whether they have won control of the government or are leading a majority government or alternatively inside a coalition. Business has a variety of options about how to respond to this, but when populists have become so dominant and mature in government that there are no foreseeable alternatives in the future, then choices for business narrow as to how to respond to populism.

It is also relevant that, like all governments, populist governments find themselves faced with events beyond their control such as the volatility of the global economy, the sudden emergence of the COVID pandemic, the unexpected use of military power to invade and destroy as in the invasion of Ukraine, increasing numbers of climate events, natural disasters and floods. How resilient is populist government to contingencies that come from outside and are severely disruptive? Populists showed that their form of performative politics was singularly ineffective in the medium term in relation to the pandemic (Ringe and Renno, 2023). In Turkey, Erdogan's weak response to the severe earthquake that struck in southeast Turkey on February 2023, killing over 50,000 people nearly derailed his re-election chances particularly as it became clear that he was complicit in allowing substandard building construction in the area. Such moments can often impact on electoral choices in ways that undermine the support for populists in power. Similarly populism may fail over the medium to long term to deliver to the people the benefits it claimed in both economic and social terms. At such moments, populism may start to run out of steam and either collapse or become absorbed back into mainstream politics.

Big business, in particular, where investments may have relatively long-term time horizons, has some ability to look long-term at these weak points of populism and decide whether to take action. Depending on the scale and nature of the business, many companies may feel it is better to ride out the volatility in the hope that risks and uncertainties will become more visible and subject to control. But others may feel they need to take a more proactive stance (Feldmann and Morgan, 2022). In the next section, we examine firm-level factors that impact on these decisions.

4. What types of firms are affected by populist governments?

Individual enterprises operating in domestic and global marketplaces face different challenges due to rising populism. For example, the political risk firms perceive is contingent on whether or not their business objectives align with the populist government's long-term agendas (Stevens et al., 2016).

Legitimacy

Corporations that align with the government's long-term aims might perceive that they are protecting themselves against political risk (Henisz & Zelner, 2005). Similarly, as suggested by Hartwell and Devinney in their paper, an international firm may emphasize that it is contributing to the long-term social goals of the populist government by creating new jobs, recruiting local people to minimize unemployment, transferring innovations and knowledge which improve the capacity of local firms in the supply chain or investing in local infrastructure rather than spending on CSR initiatives disapproved of by the populist leader. In this way, manufacturing multinationals may be seen as supportive by populist governments contributing to employment, taxes and exports; they may operate relatively securely as in Orbán's Hungary. By contrast and escape possible actions.

By contrast, where multinationals have taken control of local services such as retail and banking, and control key utilities and media outlets, they may become the targets of populists keen to claim national sovereignty and to place these sectors under the control of their local allies. (Marquis and Qian, 2014). In Hungary, for example, Orbán targeted foreign banks and services for Magyarization whilst positively encouraging foreign manufacturers to stay and grow (Bohle and Regan 2021). How firms are perceived in terms of their political legitimacy by the populist leadership could, therefore, severely affect a subsidiary's survival in the host country context (Bitektine, 2011; Sallai *et al.*, 2023).

While populism poses a risk for business in some cases, such as when populist leaders in power attack traditional channels of influence, associated with network governance, interest representation, and quiet politics (Culpepper, 2011; Sallai, 2023), other aspects of populist economic policy, particularly right-wing exclusionary populism, may benefit certain industries and thus enjoy business support (Sallai *et al.*, 2023). Right-wing populist policies, for instance, relaxed environmental regulations offered direct investment subsidies, tax cuts, and supportive sectoral interventions, thus enabling them to be seen as business-friendly by some multinationals, financial market as well as by small and medium-sized enterprises and domestic firms operating in sectors supported by the populist regime's economic nationalist agenda (Doering, et al. 2023). However, firms seen as 'outsiders' or 'enemies of the people' by populist leadership may quickly become targets of unfavorable governmental interventions and adverse economic nationalism (both under left-wing populist regimes as stated above and under right-wing populism).

As Hartwell and Devinney (2023) explore in this special issue, the type of populism, i.e. whether it is anti- or pro-business, defines the potential interactions between populist governments and businesses that are engaged in CSR. On the pro-business side, there is a tolerance for a company to engage in CSR independently from the government. Governments that are focused on expanding the economy on the one hand may view successful business investments that result in growth and increased employment as satisfying populist responsibilities. On the other hand, even when the ruling party appears to have a pro-business attitude, regimes more concerned with the distribution of the pie would be less likely to permit independent CSR. Therefore, merely being categorized as "pro-business" is not sufficient to determine which direction the influence may go since it may depend on the particular type of populism present in a given nation and how that populist regime approaches businesses. It

would also depend on how closely attached the former elite - whom populism positions itself against - was to ongoing CSR or commercial endeavours.

In contrast, Hartwell and Dervinney (2023) suggest that where populism is overtly hostile to business in left wing regimes, this will probably have a more noticeable impact on CSR spending. The anti-elite rhetoric (and policies) of left-wing populism would perceive firms' CSR investments only as an attempt to achieve positive political and social public relations (so-called "greenwashing"), which could actually make CSR a net negative for a firm. Businesses who tried to use CSR as a covert form of CPA under such a regime would discover that their efforts backfired, costing them influence and drawing unwanted attention from the authorities (Hartwell & Devinney, 2023).

Degree of authoritarianism

The political shift towards exclusionary populism and authoritarianism directly impacts interest representation and business voice, resulting in the gradual decline of corporatist forms of interest group representation, the marginalization of social dialogue, and a shift towards particularistic state-firm relations in which businesses must lobby the government directly (Sallai, 2023). Multinationals may be subject to more adverse political interventions than their domestic counterparts. Populist leaders, especially in countries dependent on FDI, such as Central and Eastern European states, may aspire to 'take back control' and support domestic businesses with discriminatory interventions. Indeed, in Hungary and Poland, special taxes aimed explicitly at disadvantaging multinationals in sectors such as retail, energy and banking, have induced some MNC subsidiaries to leave these countries (Sallai et al., 2023). Populist economic policies have accompanied efforts to attract new sources of foreign investment from the authoritarian East while addressing nationalist goals such as combating immigration or supporting domestic capital over foreign enterprises and banks (Orenstein & Bugarcic, 2022).

The political aim of reducing external political dependence is a significant challenge for Western companies in countries governed by right-wing populist parties. Multinationals are exposed to more adverse host-country interventions in contexts where populist leaders have a controlling majority in political decision-making and where the degree of authoritarianism is higher (Sallai et al., 2023).

As Zena Al-Esia, Andrew Crane, and Kostas Iatridis (2023) show in this special issue, authoritarian governments cherry-pick, promote, or embellish PCSR issues that serve government agendas or are considered politically neutral and at the same time, minimise salient yet politically charged policy areas. As a result, firms' screening abilities will be significantly hampered unless accurate alternative information signals are used to discern genuine public will. The authors show that in authoritarian and hybrid settings, populism has a more significant effect on political CSR strategy than in more democratic regimes. Due to the degraded quality of information in these contexts, businesses become reliant on populist state actors for policy-related information and gradually or completely align with populist agendas. In the latter scenario, populism could transform political CSR into a short-sighted and irresponsible approach, resulting in "unintended" (negative) consequences (Al-Esia et al., 2023).

Firm-level characteristics, domestic political capabilities and political voice

Firm-level features may also influence how effectively businesses are prepared to deal with unpredictable populist contexts. Previous research indicated that MNCs that can count on the international support of their home government while facing adverse political action overseas are less likely to be exposed to the political attacks of right-wing populist host governments (Sallai et al., 2023). However, the likelihood that a multinational can rely on home-country support is contingent on the degree to which the company has developed strong political capabilities in its home country (Sallai & Schnyder, 2021) and how actively it engages

in corporate political activities to influence the home government's foreign policy (Kim & Milner, 2019). Foreign MNCs that invest significant lobbying efforts to mobilize their home country to defend their overseas interests face a lower likelihood of being targets of unfavorable host-country populist government action.

Besides their domestic political capabilities, firm-level characteristics also affect how much businesses become targets of populist state intervention. Firms that have substantial investment capacity, sectoral power and technological ownership advantage in the host country have an easier time mobilizing political support from their home government than their smaller and less technologically empowered rivals (Sallai et al., 2023).

Depending on how much firms express their political views against the populist regime may also impact how much they get exposed to populist attacks. Populist politics makes challenging the legitimacy of the business voice easier, particularly when contrasted with the 'will of the people' (Feldmann & Morgan, 2021). Businesses that are politically distant or actively speak out against the government are more likely to become targets of unfavorable populist government action than MNCs that display tacit or open political support for the populist administration (Sallai et al., 2023) by continuing to invest.

5. What strategies do firms employ?

The impact of populism on Nonmarket Strategies and Corporate Political Activities (CPA)

The national economic policy objectives of populist administrations may open up lobbying opportunities in the realm of quiet politics for individual corporations (Bohle & Regan, 2021). In 'policy instability,' foreign companies co-investing in projects where the state holds a minority stake can help mitigate investment risk (James & Vaaler, 2018). Under long-term political uncertainty, market-based political techniques become less effective and locally developed relational political capacities, such as political ties, become more crucial (Dang et

al., 2020; Schnyder & Sallai, 2020; Oh & Oetzel, 2017). According to some studies, when operating in high-risk situations, international firms will adopt and employ a non-engaged approach to CPA, demonstrating loyalty to the host market by remaining but not actively engaging in political activities (Puck et al., 2018; Villa et al., 2019). Other firms opt to engage but face challenges, especially if they operate across borders. Indeed, subsidiaries need to develop CPAs that both ‘fit’ the needs of the parent company and ‘fit’ the needs of the host country’s institutional setting, which, under populist leaders, increasingly becomes informal and based on support within the populist leader’s entourage of family, friends and clients (Schnyder and Sallai, 2020).

A strategy of isomorphism is particularly challenging in unstable host country settings where the value of political capabilities changes quickly. The difficulty for subsidiaries is that their parent company's readily transferable, professional, and arm's length political capabilities may not be legitimate or acceptable in the host country's political context. The most important relational and political skills therefore may not be acceptable at the subsidiary's home base (Schnyder & Sallai, 2020). This contradiction demonstrates the role of top management in CPA design. Faced with a government that disregards formal channels of interest representation, foreign companies and their senior leadership teams may encounter ethical challenges when crafting effective CPA in populist-dominated environments. Indeed, during the consolidated phase of populism, when earlier and more transparent formal channels of interest representation weaken and lobbying moves into informal governance, domestic and multinational firms adapt to the new nonmarket requirements and learn how to lobby the government by engaging in new corporate political activities (Sallai, 2023).

Research in the context of Hungary’s right-wing populism found that firms in consolidated populist regimes often engage in bridging strategies (Meznar & Nigh, 1995) that help to make links with the exclusionary right-wing political environment through strategic

partnership agreements (SPAs), lobbying via well-connected domestic PA consultancies, chief executive officers (CEO) or ambassadors (Sallai, 2023). In contrast, firms that are more exposed to political attacks may rely more on buffering strategies (Meznar & Nigh, 1995) designed to protect them from the external environment if it becomes too threatening. Nonmarket strategies that are aimed to shield firms from adverse government interventions may include contracts with government-related suppliers, paying tax relief to selected sports clubs, or restructuring (Sallai, 2023, p. 298).

The impact of populism on Corporate Social Responsibility

Besides targeted nonmarket strategies and CPA, populism also affects firms' commitment to corporate social responsibility (CSR). Hartwell and Devinney (2023) examine in this special issue the correlation between different varieties of populism and corporate social responsibility (CSR). They find that an increase in populism is associated with a decrease in firms' CSR activities. Moreover, when considering the discourse surrounding different forms of populism, it is noteworthy that populist governments categorized as being opposed to business experienced more significant declines than those supportive of business. This suggests that combining conventional left-wing ideologies with populist rhetoric may lead to a paradoxical outcome of reduced corporate social responsibility (CSR) in general (Hartwell & Devinney, 2023).

The impact of populism on Political Corporate Social Responsibility (PCSR)

Firm values also affect how they respond to populism. Al-Esia, Crane, and Iatridis (2023) explore in their article in this special issues how populism influences PCSR across various political environments. Drawing on signaling and screening theories, they investigate how the depreciation of information transparency under populism impacts PCSR strategy.

They find that the internal values of a corporation serve as a mechanism for assessing policy matters and subsequently influence the response of firms to populist policies. The degree of congruence or incongruence between a company's core values and a populist policy initiative can impact the company's PCSR response. If there is congruence between the values upheld by a firm and the policies advocated by the populist political leadership, the firm's PCSR will likely align with said policy. By contrast, in the event of a misalignment, PCSR may serve as a countermeasure against populist policies. However, in a populist political climate, the distortion of information frequently impairs businesses' capacity to identify value (mis)alignment, thereby impeding their ability to develop a PCSR response that is consistent with their values (Al-Esia et al., 2023). Indeed they conclude that the lack of independent information sources within populist contexts poses a challenge to the private sector's capacity to gauge the true public sentiment accurately. Consequently, this situation often leads to the adoption of 'comply' and 'calibrate' PCSR by private sector actors, which are likely to strengthen populist agendas (Al-Esia et al., 2023).

The impact of populism on firm strategies

Navigating politically contested issues poses a particular dilemma for businesses in populist contexts. Social issues that are politicised for political gains by populist leaders place businesses in a controversial situation in which their ethical and moral values and economic interests may not align. By applying the discourse analytic approach developed by Laclau (2005), Johnsen, Larsson-Olaison, Olasion, and Weber (2023) in this special issue explore how corporations navigate contested social issues affected and polarised by populist sentiments. Focusing on the 2015-2016 refugee crisis in Europe, their study shows how emerging hostile populist political sentiments about the migration of asylum seekers led corporations to adjust their communication strategies without endorsing anti-migration beliefs voiced by far-right

politicians. Their data demonstrate that corporations find ways to talk about refugee migration even when the populist rhetoric is centered on the stark opposition to accepting refugees or promoting the idea of closing national borders. Indeed, they find that corporations have addressed the migration crisis by adjusting their operations rather than adopting a political stance on the issue. These findings suggest that businesses adapt to the increasingly polarised political context by carefully limiting their pronouncements and seeking to avoid engaging actively with the fractious political debate. Whether that is feasible in the longer term is unclear and likely to be dependent on how the populist regime itself develops over time..

6. Conclusion

. In conclusion, this special issue illustrates the significance about the relationship between businesses and populism. These processes have profound implications for senior decision-makers in businesses (see also Devinney & Hartwell, 2021). As geopolitical rivalries intensify, uncertainties and risks increase, and challenges over fundamental values become more strident and polarizing, businesses face a much more complex and conflictual environment than was the case up to the Global Financial Crash when the hegemony of neoliberal democratic capitalist institutions seemed assured. Under the threat of populism as well as the rise of global challenges such as the climate crisis, the advance of technology and AI and the rise of China as a serious geopolitical player, senior managers face a new environment in which a much more detailed and nuanced understanding of the nature of politics and the relationship between government and business needs to be looked at with renewed urgency, building on democratic and liberal values which businesses have long espoused in rhetoric but which now require that they be put in to practice in much more uncertain, dangerous and disorderly times (Thompson, 2022).

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