

## PUBLICATIONS AND WORKING PAPER SUMMARY

### Sociopolitical Legitimacy and Nonmarket Strategy of Foreign MNEs

Kim, J. 2019. [Is your playing field unlevelled? U.S. defense contracts and foreign firm lobbying.](#) *Strategic Management Journal*, 40, 1911–1937.

*Keywords:* #Lobbying; #Political strategy; #Foreign MNEs; #Liability of foreignness; #Certification

Prior research in political strategy shows that political capital is critical to achieving desirable nonmarket strategy outcomes. Less attention has been paid to the fact that firms vary in their ability to acquire political capital. Foreign firms, which typically suffer from the liability of foreignness, have difficulty acquiring and strengthening political capital in a host country. Drawing on the literatures on political capital, the liability of foreignness, and certification, I argue that relying on outside political capital—that is, hiring outside lobbyists—helps foreign MNEs achieve better nonmarket outcomes, thanks to outside lobbyists’ certifying role as political insiders. Empirically, the study examines U.S. Department of Defense weapons-system prime contracts awarded to 20,301 U.S. and foreign-owned defense contractors from 1998 through 2006. This study has theoretical and practical implications for studies on political capital, international business, and nonmarket strategies.

Kim, J., & Siegel, J. Identifying a fundamental source of the liability of foreignness: Evidence from lobbying fees charged to foreign firms. *(Revise and resubmit)*

*Keywords:* #Lobbying; #Foreign MNEs; #Liability of foreignness; #Certification; #Lobbyists

The concept of the liability of foreignness has been criticized in the literature for lacking (1) theoretical clarity, (2) precision about the liability’s duration and permanence, and (3) specificity about its real economic costs—all of which has motivated calls to address these perceived deficiencies. This study seeks to help address this call for further research by looking at the fees charged to foreign firms by U.S. lobbyists. We argue that lobbyists function as institutional gatekeepers, providing certification for their foreign clients, but charging them a premium, approximately 9.74% higher than U.S. firms holding all other control variables at their means, to compensate for the career and economic risk that representing foreign firms entails. We show that this fee premium is largest for foreign firms from more authoritarian countries—as high as 32%—because of the perceived illegitimacy of such firms in political arenas where legitimacy is at issue. The theory and the empirical results from this study therefore suggest that the liability of foreignness persists to a significant degree as a large certification premium targeted foremost at firms from countries with different political institutions that are perceived as illegitimate. We further show that this fee premium for illegitimacy is both economically large and long-lasting. Our study contributes to the understanding of the liability of foreignness, nonmarket strategy, and certification.

Kim, J., & Hiatt, S. [The effect of sociopolitical legitimacy on foreign firm political strategy.](#)  
(Under review)

*Keywords:* #Sociopolitical legitimacy; #Lobbying; #Political strategy; #Foreign MNEs;  
#Organizational boundary decision

This paper investigates how the perceived legitimacy of foreign firms in the eyes of host-country stakeholders determines their host-country political strategies. Building on international business research, we propose that home-country political systems influence host-country legitimacy assessments of foreign firms. In turn, a foreign firm's sociopolitical legitimacy, driven in part by home-country characteristics, will influence whether it lobbies through in-house lobbyists or outsources the activity to lobbying firms to maximize the effectiveness of its political activities. Using a novel instrumental variable approach for identification and a panel dataset of lobbying activities of foreign firms in the United States, the results support our arguments that a foreign MNE is less likely to use in-house lobbyists if its legitimacy is negatively impacted by home-country characteristics. Our study contributes to the international business and nonmarket strategy literatures.

Kim, J., Kwak, J., & Park, H. Interstate conflicts and the ESG strategy of foreign MNEs. (Under review)

*Keywords:* #Interstate conflict; #Liability of foreignness; #ESG; #Foreign MNEs; #Corporate social responsibility

This study examines the effect of interstate conflicts on the strategy of the subsidiaries of foreign multinational enterprises (MNEs). Although the magnitude and impact of interstate conflicts between home and host countries on businesses have been growing, scholarly research on the strategies of foreign MNEs under interstate conflicts is scarce. Based on global strategy and corporate social responsibility (CSR) research, we argue that interstate conflicts create an enduring legitimacy crisis for the subsidiaries of foreign MNEs in a host country. Thus, to alleviate the legitimacy crisis, foreign MNEs will engage more in environmental, social, and governance (ESG) activities in a host country. However, we further argue that the legitimacy-enhancing benefits ESG firms can enjoy will be heterogenous depending upon the degree of the interstate conflict; thus, the curvilinear effect of interstate conflicts on ESG is also present. The empirical results strongly support our arguments, even after considering the various institutional characteristics of home and host countries. This study contributes to the international business and CSR literatures.

## Institutions and Political Activities

Kim, J., & Siegel, J. [The effect of home-country culture on cross-border nonmarket strategy: Egalitarianism and lobbying in the United States.](#) (*Revise and resubmit*)

*Keywords: #Lobbying; #Political strategy; #Foreign MNEs; #Home-country culture; #Egalitarianism*

This paper examines how home-country cultural orientation influences foreign firms' political strategy in a host country. Prior studies have identified several contributory factors considered to drive firms' political strategies. Yet much of the variation in firms' political strategies remains unexplained. Based upon international business studies that home-country culture is among the most important drivers of strategic heterogeneity when firms operate abroad, we argue that home-country beliefs around egalitarianism—the socially equitable and transparent use of market and political power—are a strong predictor of foreign firms' political strategies in a host-country. Empirically, we look at formalized lobbying with mandated disclosure in the United States by non-U.S. firms and find strong support for our theory. We also find that home-country legal institutions and norms pertaining to egalitarianism have a moderating effect. This study contributes to the global strategy and nonmarket strategy literatures.

Kim, J., & Siegel, J. [Is U.S. formalized lobbying more about nefarious corruption or benign industry information provision? Evidence from foreign firms lobbying in the U.S.](#) (*Under review*)

*Keywords: #Lobbying; #Foreign MNEs; #Home-country culture; #Corruption*

The literature on lobbying is at an impasse between those studies arguing that U.S. formal corporate lobbying with mandated disclosure is primarily a conduit for corruption and other studies that contend this type of corporate lobbying is primarily about benign industry information provision to policy makers. In this study, we ask whether instrumented home country corruption is a robust predictor of foreign firms' lobbying of U.S. policymakers. In a counterintuitive finding, we show that U.S. formal lobbying is far more likely to be conducted by companies from the least corrupt home countries. The results are highly robust to alternative explanations.

Kim, J., Hurst, R., & Siegel, J. [High-profile enforcement as an effective deterrence mechanism: Evidence from the Paul Manafort prosecution and the Foreign Agents Registration Act \(FARA\).](#) (*In preparation for submission*)

*Keywords: #Lobbying; #Enforcement; #Regulatory compliance; #FARA*

This study addresses the question of what can help reduce regulatory noncompliance under the condition of scarce resources. It specifically asks the question of whether sudden, high-profile enforcement action is highly and immediately effective for securing broad-based compliance

when it comes to white-collar crime. Compared to policy-based interventions, the high-profile enforcement is not only more likely to provide exogenous variation in actors' perceived cost of non-compliance, but also requires significantly less in relative resources from policy makers and enforcement agencies. We examine the possible compliance-enhancing effects of the high-profile investigation and indictment of Paul Manafort in 2017 for non-compliance with the Foreign Agents Registration Act (FARA). Using a difference-in-differences design comparing compliance under FARA to compliance under the Lobbying Disclosure Act, we demonstrate that that news of Manafort's investigation and subsequent indictment led to an economically large, sustained increase in FARA compliance by corporate lobbyists. These findings are especially relevant to the many white-collar anti-corruption for which enforcement has historically been very low.

### **Integrated Strategy**

Hiatt, S., & Kim, J. [Does location matter for winning government contracts? An examination of U.S. defense awards.](#) *(Under review)*

*Keywords: #Integrated strategy; #Location; #Career government officials; #Government contract; #Defense industry*

Studies on the effect of political strategy on government contracts show mixed results, possibly because they do not account for the critical role of career government officials in contracting. Drawing on organizational theory, studies on geography, and interviews with government officials and defense contractors, we examine how a firm's geographic proximity to a contracting office—assumed to enhance access to career government officials—is associated with individual contract outcomes. The results show that collocation increases awarded contract amounts and that this effect is stronger than those of conventional political strategies. Empirically, we examine 3.29 million Defense Department contracts administered by 334 contracting offices located across the U.S. This paper contributes to nonmarket strategy and government contracting literatures.

Kim, J., & Kang, J. Increased risk in financial performance and political strategy: An integrated strategy perspective. *(Under review)*

*Keywords: #Lobbying; #Integrate strategy; #Regulatory shock; #Financial performance; #Top management team*

Studies on nonmarket strategy have identified several factors that contribute to firms engaging in political strategy. However, studies have yet to provide a holistic picture of how a critical impact on corporate strategy can affect political strategy. Taking an integrated strategy perspective and using top management team literature, we argue that increasing stock market risk leads companies to engage in political strategy (i.e., lobbying) in an effort to align their overall corporate strategy to address the risk. Given the highly uncertain nature of political lobbying outcomes, we further argue that top management team characteristics are fundamental drivers of

political strategy. We find that increasing stock market risk leads to increasing firm lobbying expenditures. We also find that top management team characteristics related to risk-taking behaviors and attitude toward uncertainty—team stock options and team diversity—drive company lobbying behaviors. This study contributes to the literatures on nonmarket strategy and top management teams.