

Politically connected EMNCs in a (de)globalising world: A review and future research directions

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Abstract: Emerging market multinational corporations (EMNCs) have emerged as significant global players, driven by their home country political connections that present both opportunities and challenges. Despite the insights gained from current studies, we still lack a clear conceptualisation of diverse political connections and the distinctiveness of politically connected EMNCs. Our study conducts a comprehensive review to bridge those gaps. We identify and compare two types of political connections, delve into major theories and highlight their main focus, key arguments, mechanisms and outcome predictions. Consequently, we propose a context-mechanism-outcome framework across three contextual levels, emphasising theoretical convergence and divergence between politically connected EMNCs and advanced market multinational corporations (AMNCs). We also spotlight disruptions caused by deglobalisation and their implications for those EMNCs. We conclude by proposing an agenda to reorient future research on this important and timely topic, especially in light of the deglobalisation trends that are reshaping the international business landscape.

Keywords: Deglobalisation, Emerging market multinational corporations, Political connections, State-owned enterprises, Overseas investments

1. Introduction

Emerging market multinational corporations (EMNCs) have ascended to become significant players in the global economic landscape and one of the most prominent topics in the field of international business (IB) over the last two decades (Buckley et al., 2023). Central to the motivation and strategies driving their global ascent, especially with respect to overseas investments, is the intricate network of home country political connections (Cuervo-Cazurra & Li, 2021). An extensive body of literature has ventured into exploring the impacts of political connections on firm internationalisation, underscored by several recent reviews from leading EMNC scholars (Aguilera et al., 2021; Cuervo-Cazurra et al., 2014, 2023; Tihanyi et al., 2019). Those studies highlight benefits such as preferential policies (Cui & Jiang, 2012; Shi et al., 2014), government-linked resources (Faccio, 2006; Khwaja & Mian, 2005) and confidential industry information (Hillman et al., 1999). However, the double-edged nature of political connections has also been brought to light, indicating how they may

expose firms to vulnerabilities such as legitimacy concerns (Meyer et al., 2018), political risks (Tao et al., 2017) and the ever-changing winds of deglobalisation (Witt, 2019).

Despite the progress made in understanding politically connected EMNCs, a fundamental research gap remains: a clear and comprehensive conceptualisation of the diverse types of political connections possessed by EMNCs (Cui et al., 2018; Tihanyi et al., 2019). Current studies often provide a fragmented view, with a focus disproportionately centred around state-owned enterprises (SOEs). This absence of a holistic conceptual framework makes it challenging to draw broad insights or compare the impacts of various types of political connections across different contexts, thus constraining the depth and generalisability of

the findings (Cui et al., 2018; Tihanyi et al., 2019). Therefore, addressing this research gap represents a critical step forward in achieving a more nuanced understanding of the multifaceted roles of different political connections in shaping firms' overseas expansion.

In addition to the need for a better conceptualisation of political connections, another important gap lies in the unresolved debate about the fundamental novelty of politically connected EMNCs. As traditional theories are primarily derived from advanced market multinational corporations (AMNCs), the real conundrum is: do those theories even apply to EMNCs? Some scholars argue for the uniqueness of politically connected EMNCs, advocating for the development of new perspectives or frameworks (e.g., institutional escapism view, institutional exploitation view, stateness advantage and the incentivising role of home government). They maintain that theories should be expanded in various ways to suit the unique nature of those EMNCs (Cuervo-Cazurra & Genc, 2008; Dikova et al., 2019; Gammeltof et al., 2010; Luo & Tung, 2007, 2018). However, others argue that existing theories can be modified to effectively accommodate politically connected EMNCs (Hernandez & Guillén, 2018; Wu et al., 2022).

Further complicating matters, the recent deglobalisation trends in IB, such as COVID-19, technological decoupling and escalating geopolitical tensions, have shifted the open global context from which EMNCs once benefitted into an era characterised by intervention-oriented technological nationalism (Luo & Van Assche, 2023; Williamson, 2021; Witt et al., 2021, 2023). Those disruptions have led to an uneven impact, creating new complexities as advanced market economies welcome investments from certain emerging markets, such as India (Li et al., 2021), while adopting a more cautious stance towards others, notably China (Luo & Witt, 2022; Meyer & Li, 2022) and more recently Russia (Gaur et al., 2023; Thams & Dau, 2023). Consequently, some scholars suggest a need for a more nuanced comparative analysis within the politically connected EMNCs bloc (Luo & Van Assche, 2023). The dichotomy that segregates politically connected EMNCs and AMNCs not only divides scholarly opinions but also suffers from an inadequate conceptual grounding, potentially leading to misconceptions. Therefore, a comprehensive and updated comparative analysis drawing upon existing research is warranted, especially considering deglobalisation trends. Without such a systematic review and reorientation, the literature on politically connected MNCs risks remaining fragmented and ill-equipped to tackle topical questions as the IB landscape evolves.

In this study, we elicit new insights from a thorough literature review of the politically connected EMNC research. In doing so, we contribute to the current literature by offering conceptual clarity on different types of political connections and by presenting a theoretical framework that captures both the convergence and divergence observed in studies of politically connected EMNCs and AMNCs. We structure our review as follows. We begin by covering the scope of the review and the methods used to survey the literature. We then analyse and synthesise the collected literature, with a focus on the conceptualisation of diverse political connections and major theories concerning the impacts of EMNCs' home country political connections on overseas investments. Building on this groundwork, we develop a context-mechanism-outcome framework based on three contextual levels and conduct a comparative analysis of theories underpinning politically connected EMNCs and AMNCs. We also spotlight the recent intensifying deglobalisation trends and their consequences for politically connected EMNCs. In light of those deglobalising forces, we conclude by offering prospective research avenues to advance our understanding of EMNCs' home country political connections and underline the critical need to explore the changing IB landscape and its effects on those significant players.

2. Method and scope of the review

Internationalisation is often associated with a few modes of market entry, including exports and overseas investments. In this review, we

focus on overseas investments, including greenfield investments and cross-border mergers and acquisitions (M&As). Compared to exports, overseas investments involve a higher level of internationalisation, which requires more intense interaction, coordination and negotiation with stakeholders in host countries (Anderson & Sutherland, 2015; Liu et al., 2020). In addition, overseas investments are riskier and more sensitive than other forms of internationalisation and are thus more likely to expose firms to challenging institutional environments (Caves, 2007; Liu et al., 2020; Martin, 2014). In fact, our preliminary literature review reveals that the existing scholarship concentrates on overseas investments.

Our search for articles in the *Web of Science* database by topic examined the words appearing in the title, abstract, keywords and keywords, plus sections of the documents comprising the existing literature. We learned from several review articles (e.g., Cuervo-Cazurra & Li, 2021; Panibratov & Klishevich, 2021) and consulted four scholars active in this area regarding our choice of keywords and further refined our selection based on the feedback from participants in top international conferences, including the *Academy of Management* annual meetings in 2018 and 2019 and the *Academy of International Business* annual conference in 2019. We classified keywords into four categories, which are summarised in Table 1. We searched all years through July 2023, obtaining 1271 papers.

We then narrowed the search by considering only high-impact journals (based on the journal citation reports of the *Web of Science* database) from six relevant fields (see Table 2) and consulted scholars and conference reviewers from relevant fields, as mentioned in the selection of keywords. This approach narrowed our selection to 299 relevant papers. Notably, the number of papers reflected a sharp decline upon imposing the requirement of publication in high-impact journals, which excluded many regional or country-specific journals, especially those published in Chinese.

We then examined the selected papers and excluded those in which (a) the findings did not reflect organisational-level analysis, political connections, outward overseas investments or acquirer(s) from emerging markets, or (b) no specific theories or models were used. Those exclusions left 71 papers remaining. We added another three relevant papers recommended through friendly reviews. Hence, this review draws from a total of 74 papers.

In line with a content analysis practice frequently adopted for article reviews (e.g., Gaur & Kumar, 2018), we coded the papers using an inductively derived codebook that focused on the type of paper (empirical or conceptual), the relationship between the overseas investments of politically connected EMNCs and firm-level outcomes (positive, negative, mixed or insignificant), the major theories applied and the number of theories (single or multiple) used in the studies. For

Table 1
Keywords for Literature Search.

Categories	Keywords Search
Political ties or connections	political tie* or political connect* or political affiliation or political network or connect* with government or state or regime or state-own* or state own* or government own* or SOE* or state control* or political own* or corporate politic*
Overseas investment	overseas investment* or overseas M&A* or cross-border* investment or cross-border* M&A* or international investment or international M&A* or greenfield*
Emerging markets (with a state-led economy)	China or Chinese or Russia* or India* or emerging market* or emerging econom* or developing market or developing econom* or developing nation*
Firm-level analysis	organisation* or organization* or firm* or corporate* or compan* or multi-nation* compan* or multi-nation* enterprise* or multinational* compan* or multinational* enterprise* or MNC* or MNE*

Note: * refers to words starting with the same letters before the symbol itself.

Table 2
Journals for Literature Search.

Fields	Journal Search
General Management	<i>Academy of Management Annals</i> or <i>Academy of Management Executive</i> or <i>Academy of Management Journal</i> or <i>Academy of Management Perspectives</i> or <i>Academy of Management Review</i> or <i>Administrative Science Quarterly</i> or <i>International Journal of Management Reviews</i> or <i>Journal of Management</i> or <i>Journal of Management Studies</i> or <i>Organization Science</i> or <i>Organization Studies</i>
Strategy and International Business	<i>Global Strategy Journal</i> or <i>International Business Review</i> or <i>Journal of International Business Studies</i> or <i>Journal of International Management</i> or <i>Journal of World Business</i> or <i>Management International Review</i> or <i>Multinational Business Review</i> or <i>Strategic Management Journal</i> or <i>Strategy Science</i>
Sociology	<i>American Journal of Sociology</i> or <i>American Sociology Review</i> or <i>American Review of Sociology</i> or <i>Economy and Society</i> or <i>International Sociology</i>
Political /Economic Geography	<i>World Development</i> or <i>International Journal of Urban and Regional Research</i> or <i>Regional Studies</i> or <i>Journal of Economic Geography</i> or <i>World Politics</i> or <i>Political Geography</i>
Other Social Science Fields	<i>American Journal of Political Science</i> or <i>American Political Science Review</i> or <i>Review of International Political Economy</i> or <i>World Politics</i> or <i>British Journal of Political Science</i> or <i>Annual Review of Political Science</i> or <i>Socio-Economic Review</i> or <i>American Economic Review</i>
Area/Regional Research	<i>Management and Organization Review</i> or <i>Asia-Pacific Journal of Management</i> or <i>Asian Business and Management</i> or <i>China Quarterly</i> or <i>Journal of Contemporary China</i>

example, we coded the relationship between home country political connections and overseas investment outcomes as positive if the results revealed a significantly positive relationship. To ensure consistent coding with a high degree of interrater consensus, we performed a pilot coding of 10 papers. The total interrater agreement obtained among the three coders was 0.85, indicating a high level of accuracy. Additionally, we resolved any disagreements through discussion until a consensus was reached.

3. Analysis of the literature

3.1. Conceptualisation of political connections: relation- versus equity-based

In accordance with Michelson (2007), we adopt a comprehensive definition of political connections, describing them as a focus for firms' 'bureaucratic, instrumental, or affective ties' to their home country and its actors. Within this framework, we distinguish between two types of political connections: relation-based and equity-based connections. Relation-based political connections are defined as dyadic, interpersonal relationships characterised by trust, loyalty and reciprocity (Sawant et al., 2021). Those relationships are often built between individuals such as firm directors and external political actors and are cultivated through a history of interactions over time (Villena et al., 2011). Conversely, equity-based political connections arise from a firm's state ownership across various levels of governments, highlighting the inter-organisational dimension of political connections (Sheng et al., 2011). While equity-based political connections create 'organisational embeddedness,' aligning the strategic objectives of firms with political institutions to garner government support, interpersonal political connections underscore the reciprocal exchange of favours between economic and political agents to advance personal and organisational interests (Sun et al., 2015).

Equity-based political connections tend to be more powerful and reliable in securing benefits for firms compared with relation-based connections (Li et al., 2018b). This stronger effect is rooted in the formal obligations of government support tied to equity-based

connections, whereas relation-based connections hinge on personal favours without corresponding formal commitments. In addition, the stability and visibility inherent in equity-based connections enable them to withstand leadership changes and bolster legitimacy (Sun et al., 2015). Conversely, relation-based connections may be less stable and, if linked to an individual who falls out of favour, could adversely affect a firm's prospects (Li et al., 2018b). However, equity-based political connections also come with limitations. The same attributes that make them more powerful and reliable in securing benefits – formality, stability and visibility – render them more susceptible to legitimacy concerns, particularly in host countries where government intervention may be viewed with scepticism (Tsui-Auch et al., 2022). Additionally, equity-based political connections may also result in potential liabilities due to changes in host countries' political dynamics, escalating geopolitical rivalry or shifts in public sentiment (Cui et al., 2023; Vergen, 2012; Witt, 2019). As such, while equity-based political connections offer considerable advantages, they also bring challenges that arise from their very strengths (Sun & Ko, 2023).

In terms of empirical findings, each of those connections has shown a double-edged effect on firms' overseas expansion, with no apparent agreement among scholars. For relation-based political connections, Albino-Pimentel et al. (2018) demonstrated a positive impact on the scope of outward foreign direct investment (OFDI), while others such as Fernández-Méndez et al. (2018) found a negative effect. Similar contradictory effects have been observed for equity-based political connections. Researchers such as Hong et al. (2015) have suggested that state ownership can facilitate internationalisation, whereas Estrin and colleagues (2016) have shown that SOEs in home countries with weak institutional environments exhibit a reduced degree of internationalisation. Interestingly, in the few studies that examine both types of political connections concurrently, a more nuanced picture emerges. Research indicates that while state-ownership often correlates with unfavourable strategic and financial outcomes, interpersonal political connections typically yield positive effects (Okhmatovskiy, 2010; Sun & Ko, 2023; Tihanyi et al., 2019). This dichotomy corresponds to the paradox highlighted earlier: While equity-based political connections might offer stronger benefits, they also come with greater drawbacks.

3.2. Explanation of overseas investment outcomes: process- versus performance-focused

We classified the common outcomes of overseas investments into two categories: process and performance. A process-focused outcome includes the likelihood of entry (e.g., Li et al., 2018b, 2020; Nuruzzaman et al., 2020), approval (e.g., Li et al., 2021; Witt et al., 2023) and the speed with which approval is granted (e.g., Knoerich, 2010; Li et al., 2013; Zhang et al., 2011). Positive process outcomes relate to gaining (speedy) approval upon market entry, whereas negative process outcomes signify delays or difficulties in approval, or even market exit. The other category of outcomes pertains to performance, encompassing metrics such as financial returns (e.g., Huang & Xie, Li, et al., 2017; Wang et al., 2012; Zhu & Zhu, 2016), stock market reaction (Du & Boateng, 2015; Tao et al., 2017) and innovation output (Chen et al., 2018; Wang & Xie, 2021; Wang et al., 2022). An increase in any of those indices reflects a positive performance outcome, while a decrease represents a negative outcome. Notably, those two types of outcomes are related. Certain process outcomes, such as the duration of approval, are treated as proximal outcomes that can further shape performance as distal outcomes (Meyer, 2014; Zhang et al., 2011). Such a relationship underscores the interconnected nature between the immediate procedural aspects of overseas investments and their long-term financial and innovation outcomes.

Although existing empirical studies have yet to reach a consensus regarding the relationship between political connections and overseas investments, findings indicate that a negative relationship occurs most frequently (27 of 61, or 44.3% of the total), followed by either a positive

(16, or 26.2%) or mixed (14, or 23.0%) relationship. The rest showed an insignificant relationship (4, or 6.6%). This inconclusiveness can be attributed to the complex and context-specific nature of political connections (e.g., Pinto et al., 2017; Ramasamy et al., 2012). Reflecting this, recent studies are steering the discourse towards a more contextualised understanding of the impact of political connections on EMNCs' overseas investments, on which we elaborate below.

In terms of theory application, our review revealed that earlier studies (published before 2011) often drew on multiple perspectives rather than on a single point of view (75% versus 25%), and that 65.8% of the research has primarily drawn on at least one of the following four theories: institutional perspective (INP; 33 studies, or 44.6%), resource dependence theory (RDT; 12, or 16.2%), resource-based view (RBV; 9, or 12.2%) and transaction cost theory (TCT; 5, or 6.8%). Table 3 summarises the relationships between the empirical results and theories. Overall, researchers have observed some differences between theoretical perspectives and empirical outcomes, with those relying on INP and RDT demonstrating more negative relationships. Notably, those results might have been influenced by the studies' empirical settings. For example, many studies situated in China, where state ownership is prevalent, naturally focused more on equity-based connections than on relation-based political connections. In the following discussion, we will review the key theoretical arguments in the context of overseas investments.

3.3. Theoretical perspectives: focus, level of analysis, key arguments and predictions

Table 4 lists key empirical studies, including a summary of the theories adopted, research questions and main findings. The data in Table 4 provide a basis for identifying key theoretical arguments explaining the political connections–overseas investments relationship. While mapping the key findings and arguments reflected in those publications according to this generic framework, we recognised that each perspective entails a specific focus, a specific level of analysis and different key arguments. Table 5 summarises this approach, followed by a deeper discussion of each theoretical perspective in the context of overseas investments.

3.3.1. Institutional perspective (INP)

The broad label of INP conceals a fair amount of diversity. Disregarding disciplinary, conceptual and geographical divides (Djelic, 2010; North, 1990; Streck & Thelen, 2005), the key tenet of the INP involves organisations observing laws, rules and norms to gain legitimacy. Various authors have argued that institutional forces exert isomorphic pressures on firms and shape their entry modes and strategies. The levels of analysis tend to be macro (institutional) and meso (organisational). Institutions are seen as macro, context- and country-specific (Hoskisson et al., 2013; Kostova & Zaheer, 1999; North, 1990), depending on the varieties of capitalism practiced (Musacchio et al., 2015; Wright et al., 2021). EMNCs' strategies and practices are shaped by the institutional profiles of their home and host countries. Meanwhile, the institutional distance between home and host countries

gives rise to concerns about legitimacy and hazardous relations with the host country (Contractor et al., 2014; Li et al., 2020; Liou et al., 2016). For example, Wang et al. (2022) found that Chinese firms' political connections with their government impede parent firms' innovation performance, especially in developed countries where larger institutional distance exacerbates misalignment with local institutions. However, institutions are not immutable. Recently, scholars have turned their focus to changes in institutional logic, particularly in the context of the US-China geopolitical rivalry. A shift from market-oriented liberalism to intervention-oriented techno-nationalism has emerged, which legitimises zero-sum thinking and prioritises geopolitical considerations, echoing realism doctrines in international relations (Luo, 2022; Luo & Van Assche, 2023). This evolving nature of institutional logic makes overseas expansion more challenging and complex, necessitating EMNCs' continual reassessment of internationalising strategies and re-adaptation.

Political connections can be both a resource and a liability for EMNCs' overseas investments. Specifically, politically connected EMNCs may be driven to support their home country government's policy directives regarding overseas investments in hopes of acquiring resources from the ruling host regime (Cui & Jiang, 2012; Du & Boateng, 2015; Gammeltoft and Cuervo-Cazurra, 2021). However, those connections also expose EMNCs to serious legitimacy concerns in their host countries arising from a combination of ideological conflicts (Witt, 2019), national security concerns (Luo, 2022) and apprehension about unfair competitive advantages (see Meyer et al., 2018 for a summary). In addition, Li et al. (2018a) showed that levels of state ownership significantly influence the degree of legitimacy concerns, with central SOEs in China, known as 'national champions,' facing greater institutional pressures from both home and host country governments compared to local SOEs. This liability effect has become more pronounced in recent years, primarily due to the ongoing deglobalisation trends (Williamson, 2021; Witt et al., 2021; 2023).

Earlier variants of neo-institutional theory and the institution-based view generally took a passive view of the firm in that EMNCs often react to legitimacy concerns in host countries through structural and procedural compliance with institutional norms (Hobdari et al., 2017; Meyer et al., 2018; Stevens et al., 2016). According to this view, firms tend to seek more proximate institutional environments (Stevens & Newenham-Kahindi, 2017; Yuan et al., 2016), choose shared ownership with local partners in exchange for legitimacy (Chan & Makino, 2007; Cui & Jiang, 2012) and imitate successful practices (Haunschild & Miner, 1997; Henisz & Delios, 2001). In particular, the negative effects of home-country political connections on EMNCs' overseas investment outcomes can be reduced by EMNCs' imitation of successful practices used by other business entities in their host countries (Xie & Li, 2017). However, a more recent variant of neo-institutional theory has taken an active view of the firm, seeing EMNCs as able to negotiate with home country governments to deal with legitimacy concerns in host countries (Kostova et al., 2008). For example, Li et al. (2018b) observed that those with stronger ties to their home governments were better able to access and leverage intergovernmental diplomatic connections to enter foreign

Table 3
Overseas Investment Outcomes of Politically Connected EMNCs and Theories Applied in Publications.

Theory	Number of Empirical Papers	Positive Relationship	Mixed Relationship	Insignificant Relationship	Negative Relationship
		Number (%)	Number (%)	Number (%)	Number (%)
INP	26	5 (19.2)	5 (19.2)	2 (7.7)	14 (53.8)
RDT	9	2 (22.2)	1 (11.1)	0	6 (66.7)
RBV	6	2 (33.3)	1 (16.7)	2 (33.3)	1 (16.7)
TCT	3	1 (33.3)	1 (33.3)	0	1 (33.3)
Others	17	6 (35.3)	6 (35.3)	0	5 (29.4)

Note: The articles categorised under each theory may employ either a single or multiple theories, leading to the possibility of overlap in the count of empirical papers. As the percentages in the parentheses are rounded values, the sum for the same category might not always equal to exactly 100%. INP refers to the institutional perspective; RBV, resource-based view; RDT, resource dependence theory; and TCT, transaction cost theory.

Table 4
Summary of Key Empirical Studies on EMNCs' Political Connections and Their Overseas Investments.

Author (s)	Theoretical Perspectives	Research Question	Main Findings
Cui & Jiang, 2012	INP; RDT	What is the effect of state ownership on the strengths of external institutional pressures that influence firms' FDI ownership decisions?	State equity will amplify the effects of home regulatory, host regulatory and host normative pressures on a firm to choose a joint ownership structure.
Dau, 2012	INP	What are the effects of pro-market reforms on firm multinationality?	State ownership will reduce the positive impact of pro-market reforms on multinationality.
Deng et al., 2018	RDT	How does heterogeneity of political connections affect OFDI?	Firms with ascribed political connections (PCs) have a low OFDI commitment. Firms without any PCs have a medium OFDI commitment. Firms with acquired PCs exhibit a high OFDI commitment.
Du & Boateng, 2015	INP	How does state ownership create value for Chinese acquiring firms and what are the impacts of institutions on the shareholder value of Chinese acquiring firms?	Acquiring firms that are partly state-owned will generate positive abnormal returns compared to non-state-owned firms.
Du & Luo, 2016	RDT; INP	What is the impact of political connections in the home market, home formal institutions and their interactions on the internationalisation of emerging market firms in the context of China?	Political connections at home may prevent emerging market firms from expanding overseas.
Estrin et al., 2016	INP	What is the impact of institutions on SOE internationalisation?	SOEs with a background of high levels of home country normative, regulatory and governance controls have a higher degree of internationalisation.
Hu & Cui, 2014	RBV (and agency theory)	How do corporate governance factors influence the internationalisation decisions of emerging economy firms?	State ownership does not significantly affect the propensity of internationalisation from emerging firms.
Kalasin et al., 2020	RBV (and agency theory)	How does state ownership affect the international expansion of emerging market firms?	There is an S-curve relationship between state ownership and level of internationalisation.
Li et al., 2018a	INP (comparative capitalisms)	What are the differences between central and local SOEs from emerging economy countries in terms of OFDI strategies?	Central SOEs are more likely to pursue a leapfrog path, a sole ownership structure and acquisitions when conducting OFDI than local SOEs.
Liu et al., 2016	RDT	How do EMNCs manage	State-owned MNCs' are more sensitive to

Table 4 (continued)

Author (s)	Theoretical Perspectives	Research Question	Main Findings
Meyer et al., 2018	INP	How do SOEs adapt their foreign entries to institutional pressures abroad?	locations with more industry risks, which reduce their likelihood to invest in those areas. SOEs adapt entry mode and control decisions differently from POEs to the conditions in host countries, and those differences are larger where pressures for legitimacy on SOEs are stronger.
Nuruzzaman et al., 2020	INP	What's the effect of home institutions on the internationalisation of emerging economy firms?	State ownership either promotes or constrains firm internationalisation, depending on the institutional environment.
Pan et al., 2014	TCT	How do government ownership affect firms' FDI subsidiary ownership?	The level of subsidiary ownership was less affected by the heterogeneity of foreign institutional environments for firms with a higher level of government ownership.
Pinto et al., 2017	INP; TCT	How does government support affect the ownership choices by multinationals in cross-border acquisitions?	Government ownership empowers firms to more effectively navigate risks and uncertainties in challenging foreign institutional environments, thereby reducing transaction costs and legitimacy issues, leading to higher levels of subsidiary ownership.
Rodrigues & Dieleman, 2018	RDT	How does state ownership affect internationalisation trajectories?	The more successful a state hybrid is in building a pool of global resources, the more attractive it becomes for subsequent government intervention.
Sun & Ko, 2023	INP	How do SOEs and POEs differently manage M&A deal failure and seek equity ownership of target firms?	SOEs likely have higher probability of abandoning M&A deals and seeking less equity ownership in overseas markets.
Sawant et al., 2021	RDT (with embeddedness perspective)	How does a firm's political embeddedness affect its internationalisation strategy?	Greater dependence asymmetry in interpersonal relational political connections reduces a firm's FDI scope.
Wang et al., 2022	INP (and organisational learning)	Whether and how home-grown political connections affect the relationship between OFDI and innovation performance of Chinese	Home-grown political connections constitute a liability in the host countries due to their misfit with the local institutions, potentially hindering

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Table 4 (continued)

Author (s)	Theoretical Perspectives	Research Question	Main Findings
Xia et al., 2014	RDT	internationalised firms?	the parent firms' innovation performance from OFDI.
		How can we better understand OFDI activities by emerging market firms?	Chinese firms with higher levels of state ownership are less susceptible to the pressures imposed by foreign firms and more likely to invest abroad.
Yang, 2018	INP (and organisational learning)	How do subnational institutions in emerging markets affect the location choice of emerging market firms?	SOEs reduce the effects of subnational institutions at home on location choice.

Note: INP refers to the institutional perspective; RBV, resource-based view; RDT, resource dependence theory; and TCT, transaction cost theory; (O)FDI, outward foreign direct investment; SOE, state-owned enterprises; POE, privately-owned enterprises.

markets. Considering recent geopolitical rivalry, Luo and colleagues (2022, 2023) have formulated a series of strategic responses that align appropriately with firm-level characteristics, such as levels of risk exposure, technology dependence, global integration and international experience.

3.3.2. Resource-based view (RBV)

Unlike the INP, which emphasises legitimacy arising from similarities in firms' actions in coping with institutional pressures, the RBV is oriented towards economic optimisation and centres around unique strategies for leveraging firm-specific resources and competencies as a source of sustainable competitive advantage (Barney, 1991; Moon & Lado, 2000; Peng, 2001). In the context of overseas investments, which require substantial resources such as financial capital (Meyer et al., 2009), the RBV explains variations in EMNCs' outcomes as a result of their unique deployment of heterogeneous resources and capabilities to overcome inherent disadvantages in foreign environments (Hu & Cui,

2014; Kalasin et al., 2020). In essence, the analysis focuses on the meso level. Political connections, according to the RBV, constitute a firm-specific resource that generates an ownership advantage critical to the success of firms' overseas investments (Dunning, 2006; Wang et al., 2012; Xie & Li, 2017). Political connections can provide EMNCs with intangible resources, opening up access to financial capital, subsidies, less expensive loans, intermediary services, policy-related benefits and confidential information from their home country governments (Kalasin et al., 2020; Morck et al., 2008; Wang et al., 2012). As those politically connected resources are difficult for competitors to replicate, they generate a competitive advantage that can lead to positive investment outcomes. For example, Wang et al. (2012) discovered that government involvement, such as state ownership and affiliation, increased both the ability and willingness of firms to internationalise, particularly when firms possessed intangible marketing and technological resources that allowed for better utilisation of government-related assets.

The RBV suggests a proactive view of firm response in that EMNCs optimise home country political connections and anticipate political risks before entering host countries (John & Lawton, 2018). This strategic foresight enables them to actively select the investment type and destination that align with their politically connected resources and underlying motives (Hobdari et al., 2017). For example, Wang et al. (2012) discovered that Chinese firms with a higher degree of state ownership are inclined to expand into developing countries, a strategy driven by the desire to circumvent the intense competitive pressures and regulatory barriers commonly faced in developed countries. In addition, those firms are likely to conduct resource-seeking investments in compliance with the state's motive to ensure a stable supply of resources critical to national security and economic stability (Ahsan et al., 2021; Cui et al., 2017). Overall, the RBV perspective views firm responses as a deliberate strategy, rather than a passive reaction to institutional pressures.

3.3.3. Transaction cost theory (TCT)

The core assumption of this theory is that firms aim for economic optimisation so that transaction cost concerns shape its strategies and, consequently, its investment performance (Demirbag et al., 2007; Kogut & Singh, 1988; Mudambi & Mudambi, 2002). A firm finds opportunity in expanding overseas when the costs of economic activities in overseas markets are lower than those incurred in its domestic market (Demirbag et al., 2007; Pan et al., 2014; Pinto et al., 2017). However, investing

Table 5
Major Theoretical Perspectives on EMNCs' Home Country Political Connections—Overseas Investments Relationships.

Perspectives	Institutional Perspective	Resource-based View	Transaction Cost Theory	Resource Dependence Theory
Main Focus	How institutional profiles of and distance between home country and host country shape host country legitimacy concerns of EMNCs	How the possession of intangible resources based on home country political connections of an EMNC makes imitations difficult and generates competitive advantages.	How the resources and support from home country government enables an EMNC to endure risks and uncertainties encountered in its host country and thus mitigate transaction costs.	How the home country political connections of an EMNC generate both resources and liabilities, which affect its autonomy and market orientation.
Key Arguments	Gaining legitimacy from a host nation's institutional environment is crucial for EMNCs' survival and success.	The success of an EMNC depends on the use of the heterogeneous firm-specific resources and capabilities when operating in a host economy.	The success of an EMNC reflects the ability to lower the transaction costs when operating in a host economy.	The survival and success of an EMNC depends on managers' strategies to actively manage multiple external resource dependence relations.
Level of Analysis Contexts	Macro and meso Home country with a dominant state role in economy	Meso Political connections' attributes such as the level or type	Meso Political connections' attributes such as the level or type	Meso and micro Political connections' attributes such as the level or type
Mediating Mechanism: Resources	Government support strengthens an EMNC's Home country legitimacy	Government support in terms of easier access to resources, confidential industrial information and preferential policies.	Government support permits a higher tolerance level of risks and uncertainties	Government support adds bargaining power to an EMNC against its competitors and foreign partners.
Mediating Mechanism: Liabilities	Host country legitimacy concerns	Not analysed	Not analysed	Government connections generate a dependence on the home government.
Outcomes Representative Studies	Largely negative Li et al., 2018a; 2018b; Meyer et al., 2018; Nuruzzaman et al., 2020	Positive Hu & Cui, 2014; John & Lawton, 2018; Kalasin et al., 2020	Positive Meyer et al., 2023; Pan et al., 2014; Pinto et al., 2017.	Mixed Huang & Xie, Li, et al., 2017; Sawant et al., 2021; Xia et al., 2014.

overseas exposes a firm to firm- and host-country-related uncertainties that generate enormous market transaction costs (Brouthers & Hennart, 2007; Demirbag et al., 2009). Such costs can arise from a combination of variables, such as foreign direct investment (FDI) concentration, research and development (R&D) intensity, the location of affiliates, the capital size of affiliates and the heterogeneity of the host countries' environments (Demirbag et al., 2007; Pan et al., 2014; Pinto et al., 2017). Essentially, the analysis is primarily on the meso level.

Ideally, firms prefer to invest in foreign countries with environments characterised by lower transaction costs (Brouthers et al., 2003; Gatignon & Anderson, 1988). However, a politically connected firm can often gain easier access to resources, including government support, compared to one without such connections. The former can, therefore, have a higher tolerance for risks and uncertainties and a greater capability to operate in a host country (Pan et al., 2014). For example, according to Pinto et al. (2017), firms that benefit from government support can 'better withstand the uncertainties and risks, perceiving lower transaction costs and changing the institutional conditions of the host country in their favor' (p. 536).

Because resources and other forms of support from the home country government help mitigate the transaction costs associated with overseas investments, a politically connected EMNC is likely to seek a high level of ownership of its subsidiaries and ventures (Demirbag et al., 2007; Pan et al., 2014). Such an ownership strategy allows them greater control, reduces tensions with business partners and helps circumvent problems arising from a lack of strategic fit, thus improving their global competitive positions and overseas investment performance (Demirbag et al., 2009; Malhotra et al., 2016; Pan et al., 2014). However, this prediction contrasts with the INP perspective, which posits that politically connected EMNCs might trade ownership for legitimacy (Chan & Makino, 2007; Cui & Jiang, 2012; Meyer et al., 2018). Overall, this theory suggests an active firm response and predicts a positive relationship between an EMNC's home country political connections and its overseas investment outcomes. However, it is important to recognise the changing geopolitical landscape, as recent scholars studying deglobalisation trends have identified new challenges. Specifically, shifts in global politics are raising transaction costs for politically connected EMNCs, notably Chinese and Russian firms (Meyer et al., 2023; Panibratov & Gaur, 2022). The increased costs stem from growing political uncertainty and operational disruptions, underlining the complexities and potential risks in today's evolving international environment.

3.3.4. Resource dependence theory (RDT)

Various authors have posited that a firm's ability to attract external resources is crucial for its survival (Pfeffer & Salancik, 1978) and can directly impact its overseas investment outcomes (Huang & Xie, Li, et al., 2017; Xia et al., 2014). Managers often take extensive actions to secure such resources, possibly by co-opting or creating links with external resource providers, by simply acquiring them or by looking for substitutes. Nevertheless, a reliance on external resources, which involves a dependence relation, grants resource providers power over a firm. Maintaining the power balance requires managers to actively handle multiple external relations. This analysis addresses both the meso (firm) level and the micro (individual) level.

An analysis of papers based on the RDT, often in conjunction with the INP, has uncovered complex aspects of EMNCs' home country political connections, whose effects on overseas expansion vary across national contexts. In certain situations, those political connections bear negative consequences, undermining a firm's autonomy and market orientation, and thus leading to sub-optimal decisions (Du & Luo, 2016; Huang & Cantwell, 2017; Xia et al., 2014). This is notably observed in Chinese SOEs, where Huang, and Xie, Li, et al. (2017) found that substantial state ownership results in dependence on the Chinese government, consequently curbing SOEs' willingness to engage in OFDI. Similar results were found in Russian firms, where interpersonal political connections increase susceptibility to dependence asymmetry, a condition that grows

with the power of the political actor. This asymmetry, in turn, escalates political encroachment in firms' decision-making, leading to a preference for domestic investments and constraining Russian firms' OFDI scope (Sawant et al., 2021). In contrast, research on SOEs in other emerging countries, such as India and Brazil, offers an opposing view. In those cases, partial state ownership can act as a catalyst for internationalisation. Firms conduct overseas expansion as an 'escape strategy' to reduce dependence on the home government, thereby fostering greater autonomy (Choudhury & Khanna, 2014; Cuervo-Cazurra et al., 2014; Rodrigues & Dieleman, 2018).

But the effects of political connections do not vary solely across geographic contexts; indeed, they also differ based on the types and levels of connections. For example, Deng et al. (2018) discovered that the type of political connections significantly influences OFDI commitments. Ascribed political connections were associated with low commitment, absence of political connections with medium commitment and acquired political connections with high commitment. Furthermore, Huang, and Xie, Li, et al. (2017) revealed that the level of state ownership, such as central versus local, significantly shapes OFDI motivation, with higher levels of state ownership often causing greater dependence on the home government and a corresponding reluctance to engage in OFDI. In line with the RDT's active view of managerial agency, an EMNC must decide whether acquiring or reducing political connections is in its best interest. The decision-making process requires a nuanced understanding of how political connections can facilitate and hinder overseas expansion, as well as a consideration of the context and nature of home country political connections.

4. Framework development

4.1. A context-mechanism-outcome framework

Following Pawson and Tilley's (1997), we organise the rest of our review using a context-mechanism-outcome framework to enhance clarity. Scholars have frequently applied this framework in management studies (e.g., Henfridsson & Bygstad, 2013; Huang & Xie, Li, et al., 2017) and generally consider this method suitable for comprehensively scoping a research topic (Crossan & Apaydin, 2010; Hanelt et al., 2020). Fig. 1 presents the framework that emerged from our analysis. It visualises the concepts and linkages by which an interplay of multiple perspectives may strengthen the arguments explaining the effects of EMNCs' political connections on overseas investment outcomes. This framework also identifies contexts that shape the nature and characteristics of home country political connections (including macro-environmental, meso-organisational and micro-individual determinants), mechanisms (such as resources and liabilities from major theoretical perspectives and their interplay) and outcomes (encompassing both process and performance).

In the subsequent section, we direct our focus towards an in-depth examination of the contexts within this integrated framework, serving to recognise the multifaceted interplay of factors that shape the nature and strength of the political connections of MNCs in various contexts. Specific emphasis is placed on identifying the commonalities and distinctions in the extant literature on politically connected EMNCs and AMNCs. In doing so, we call for special scholarly attention to the importance and uniqueness of EMNCs' home country political connections on overseas expansion, thereby contributing to the development of this field in an evolving IB landscape.

4.1.1. Micro-level contextual analysis

Micro-level studies on politically connected EMNCs predominantly centre on relation-based political connections. Those connections are often forged between individuals such as firm directors and external political actors and are nurtured over time through ongoing interactions (Villena et al., 2011). While the general MNC literature extensively explores interpersonal political connections, focusing on aspects such as

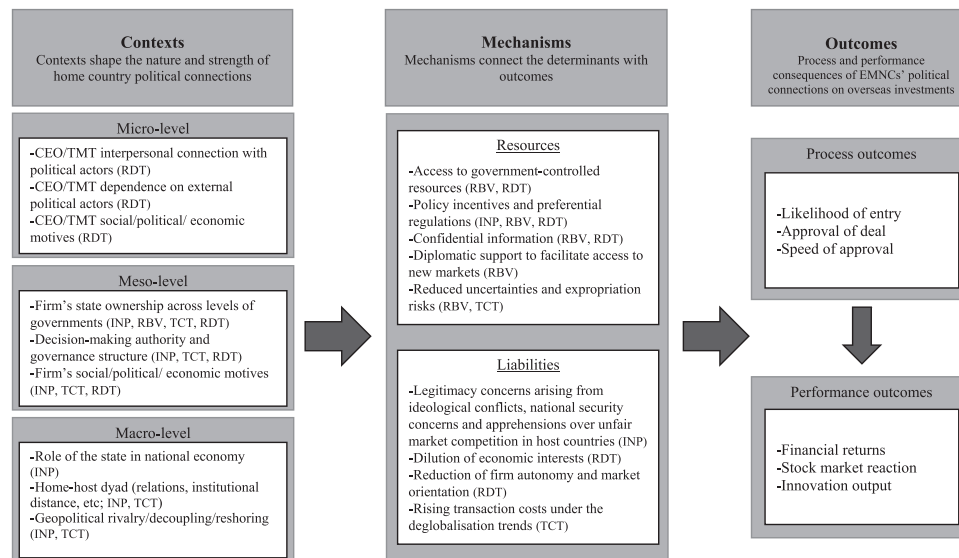


Fig. 1. A Context-Mechanism-Outcome Framework Developed on the Basis of an Interplay of Selected Perspectives. Note : INP refers to institutional perspective; RBV, resource-based view; TCT, transaction cost theory; and RDT, resource dependence theory.

firm strategy, internationalisation and performance (Albino-Pimentel et al., 2018; Michelson, 2007; Okhmatovskiy, 2010), there is a marked disparity when it comes to research exclusively dedicated to those connections in EMNCs. Of the 74 papers analysed, only 8 (or 10.8%) target this domain, with an additional 6 (or 8.1%) exploring both types of political connections.

Echoing traditional micro-level studies on MNCs' internationalisation, research on political-connected EMNCs recognises the intricate interplay between managerial political connections on the one hand and several key individual-level factors on the other hand. These factors include top management teams' (TMTs) background characteristics (e.g., Kotabe et al., 2011; Wu & Ang, 2020), managerial cognition and behaviour (e.g., Lu et al., 2014; Lyles et al., 2014) and international orientation (e.g., Jafari-Sadeghi et al., 2021; Shih & Wickramasekera, 2011). Together, those factors shape a firm's strategies and outcomes in overseas expansion. However, unlike AMNCs, which focus on asset exploitation and the replication of home-based management practices, EMNCs are newcomers to the international market, and their managers consequently often lack the requisite knowledge, skills and experience, which leads to a strong motivation to learn and catch up (e.g., springboard in Luo & Tung, 2007, 2008). Paradoxically, TMT political connections may represent a cognitive barrier that undermines learning and capability development, thus obstructing overseas expansion (Siegel, 2007; Wan, 2005). This combination of factors, including the relative insignificance of CEOs/TMT, a strong motivation to learn and catch up with AMNCs and the cognitive barrier stemming from reliance on political connections, distinguishes EMNCs from other firms.

4.1.2. Meso-level contextual analysis

The meso-level analysis primarily features equity-based state ownership, or the inter-organisational dimension of political connections, across various levels of governments, ranging from local to central authorities (Deng et al., 2018; Sheng et al., 2011). In our review, research on SOEs has dominated the literature on politically connected EMNCs. A total of 60 contributions are solely dedicated to this subject, making up 81.1% of the total studies assessed. This prevalence reflects the significant role state ownership plays in many emerging markets and the corresponding interest in understanding how those connections influence IB strategies and outcomes.

Research on politically connected EMNCs and AMNCs at the organisational-level analysis shares common theoretical foundations, focusing on the significance of ownership and resource-based

advantages in driving internationalisation. For example, the ownership, location and internalisation (OLI) model has proven effective in explaining the internationalisation of politically connected EMNCs (Narula, 2012). The necessity of critical resources such as knowledge for international expansion is acknowledged for both AMNEs and EMNEs, with those resources being exploited or acquired through the internationalisation process (Luo & Tung, 2018; Wang et al., 2014). However, those two strands of literature also diverge, even if they are drawn from similar theoretical frameworks. Politically connected AMNCs typically rely on ownership advantages linked to research and development and managerial capabilities (Hennart, 2012). Conversely, emerging market SOEs possess 'stateness' advantages also stemming from their privileged relationship and intricate interaction with home government institutions, which enable them to excel in other developing countries with similar weak institutions (Cuervo-Cazurra & Li, 2021).

Moreover, the motives and strategies of politically connected EMNCs and AMNCs concerning overseas expansion share much in common but also differ significantly. Both types of MNCs, whether they originate from advanced or emerging economies, often display opportunity-seeking behaviours, capitalising on their existing advantages by transferring knowledge and assets from their domestic operations to foreign markets. However, a notable distinction arises as a significant number of EMNCs also engage in asset-seeking behaviours, acquiring crucial resources and capabilities from established firms in advanced economies (Deng, 2009; Luo & Tung, 2007, 2018). Furthermore, SOEs from emerging markets, particularly those at the central level and recognised as national champions, act as political agents and play a leading and pivotal role in executing their home government's political goals (Li et al., 2018a; Witt, 2019). EMNCs, especially SOEs, exhibit a tendency for more aggressive and rapid internationalisation, usually at the early stage of their development and predominantly through acquisitions (Gammeltof et al., 2010; Kalasin et al., 2020; Morck et al., 2008). This inclination contrasts with the gradualist approach suggested by the Uppsala model, which typically characterises AMNCs' overseas expansion (Meyer & Thaijongrak, 2013).

4.1.3. Macro-level contextual analysis

At the macro-level analysis, institutional factors dominate studies on politically connected EMNCs. Factors that have attracted most of the scholarly attention include the role of the state in the national economy (Wright et al., 2021), the dynamics between the home-host dyad (such as institutional and geographic distance, e.g., Li et al., 2020) and the

more recent escalating geopolitical rivalry (Cui et al., 2023; Luo, 2022; Witt, 2019, 2023). Out of the 74 articles in our review, 48 (64.9%) investigated institutional forces in influencing the overseas expansion of politically connected EMNCs. Overall, scholars characterise the differences between EMNCs and AMNCs as primarily due to the distinct home-country institutional context in which they are embedded (Cuervo-Cazurra, 2016; Luo & Zhang, 2016). Two major theoretical perspectives in studies of general MNCs have been extensively applied to research on politically connected EMNCs. The first perspective is institutional theory, which underscores the importance of legitimacy pressure on the behaviours of organisations (DiMaggio & Powell, 1983; Scott, 1995). Research on EMNCs echoes the importance of gaining legitimacy in overseas expansion, with a heightened emphasis on their coping strategies amid regulatory and normative pressures in both the home- and host-contexts (Li et al., 2018a; Hong et al., 2015; Luo & Van Assche, 2023). Notably, there are two views based on institutional perspectives that are unique to politically-EMNCs studies. The first one is the institutional escapism view, which argues that weak institutional environments at home can drive EMNCs to escape through internationalisation, preferably to institutionally distant foreign markets for institutional arbitrage, or to advanced economies with better protection for property rights (Fathallah et al., 2018; Luo & Tung, 2018; Luo & Wang, 2012). The second one is the exploitation view positing that EMNCs are better at competing in other developing countries with similar weak institutions due to their familiarity with and expertise in managing such difficulties and uncertainty in their domestic market (Cuervo-Cazurra & Genc, 2008).

The second perspective is the transaction cost theory. In alignment with traditional arguments, differences between the home- and host-countries increase risks and uncertainties for foreign market entry. Such differences add transaction costs and other liabilities of foreignness, thus creating a barrier for overseas expansion (Brouthers & Hennart, 2007; Demirbag et al., 2009). However, research on politically connected EMNCs has added new insights into the incentivising role of the home government. In countries with a strong role of the state in the national economy, the home government can play a more direct and active role in promoting OFDI by offering various tangible and intangible supports, including unique diplomatic support (Duanmu, 2014; Li et al., 2018b). The incentivising role of the home government is seen as a factor for the enthusiasm of Chinese firms to participate in their government's Belt and Road Initiative (Dikova et al., 2019; Li et al., 2019; Liu & Wang, 2022).

In terms of internationalisation strategies, our review reveals that coping strategies to address legitimacy concerns constitute a central focus in the study of politically connected EMNCs. When entering a foreign market, EMNCs, especially SOEs, often prefer full acquisition, which helps leverage support from the home government and manage political risks (Dikova et al., 2019; Yoon et al., 2021). However, when full acquisition is less suitable, the alternative of greenfield investment offers learning opportunities and serves to alleviate public disapproval in host countries (Meyer et al., 2014). Additionally, SOEs may reduce state equity in foreign subsidiaries for gaining legitimacy (Tsui-Auch et al., 2022). However, it is the post-entry stage where the use of coping strategies becomes most pronounced. Those coping strategies include corporate social responsibility and corporate political activities (Fiaschi et al., 2017; Tashman et al., 2019). Delegating autonomy to subsidiaries (Wang et al., 2014) and involving customers also constitute part of those tailored strategies, serving to build acceptance in host countries and to mitigate negative impacts from the home institutional backgrounds (Zhang et al., 2015).

4.1.4. Escalating geopolitical rivalry as a distinct macro-level context

In recent years, a defining characteristic in the macro-level environment has been the escalating geopolitical rivalry, along with associated decoupling and reshoring activities in IB. These phenomena have significantly reduced the level of globalisation that previously benefited

EMNCs through compositional springboard strategies (Luo & Witt, 2022). This new environment calls for a reassessment of theories about the nature of global strategy and the interaction between businesses and the geopolitical environment. Specifically, scholars have looked to international relations perspectives to explain those disruptions. Three main schools of thought have been employed: realism, liberalism and constructivism (Meyer & Li, 2022; Witt, 2019). Realism emphasises the quest for power by nation-states as the primary driver of international relations, and it predicts the emergence of economic blocs around major countries. Conversely, liberalism focuses on stabilising forces such as international trade and investment, suggesting a patchwork of economic linkages. Constructivism emphasises the social construction of many issues, either triggering or resolving tensions between nation-states. As those disruptions become more pronounced, some scholars anticipate a shift towards a world order dictated by realism. This doctrine portrays the world as a zero-sum competition, where states leverage their economic coercion power (Luo, 2022).

While disruptions in IB have complicated the landscape for politically connected EMNCs, the effects are not uniform across the board. The complexities arise as current geopolitical dynamics suggest a tilting of the playing field to favour EMNCs from certain countries over others, especially China and Russia (Gaur et al., 2023; Luo & Witt, 2022; Meyer & Li, 2022). One significant example of this uneven effect is evident in the strategic shift by the United States and its allies. Previously focused on pursuing cost-reduction, those countries have reoriented their logic towards building partnerships based on shared values (Luo, 2022; Wang & Xie, 2021; Witt et al., 2023). Consequently, Chinese firms are faced with serious aggravation from political liabilities, making it increasingly challenging for them to adopt strategies that once aided in their global reach. A few studies have proposed new response strategies, such as the "double-loop springboarding" approach, which emphasises continuous learning and resource acquisition through various modes of inward internationalisation (Luo & Witt, 2022) and strategic responses that encompass geo-strategies, reconfiguration, resilience and corporate diplomacy (Meyer & Li, 2022).

However, the potential of the above-stated strategies is hampered by the political connections of Chinese firms, which cast a negative shadow on their ventures into the U.S. economic bloc. The liabilities associated with home-country political connections eclipse the potential benefits of response strategies, complicating their full implementation and utilisation. The interplay between innovative response strategies and political liabilities creates a multifaceted landscape that defies simple solutions and calls for further research. Understanding how to balance strategic ambition with political reality will be a defining challenge for Chinese firms in the U.S.-led bloc, and continued exploration of this complex field will be essential.

The above analysis was structured to identify the patterns in which politically connected EMNCs converge or diverge from their counterparts in advanced economies. This goal was achieved by categorising the analysis into three primary levels, emphasising the major underlying theoretical mechanisms, motives and strategies. The convergence between politically connected EMNCs and AMNCs reveals the cross-context applicability of existing theories. However, the divergence reflects the unique features of EMNCs' political connections and the novel contexts that may challenge many existing theories in IB literature. Table 6 provides a detailed summary of the key findings from this comparative analysis.

4.2. Interplay of theoretical perspectives

Notably, various theories predict different analyses of relationships between political connections and overseas investments. Although each perspective offers crucial insights, taken in isolation, each of them falls short in explaining the complex dynamics that arise when politically connected EMNCs invest overseas. Therefore, an interplay of selected theoretical perspectives (Schultz & Hatch, 1996) can aid a multilevel

Table 6
Commonalities and Uniqueness in Studies of Politically Connected AMNCs and EMNCs.

Level of analysis	Commonalities with studies on politically connected AMNCs	Novel insights from studies on politically connected EMNCs
Micro-level	-The interplay between managerial political connections on one hand, and (1) CEO/TMT background characteristics, (2) managerial cognition, behaviour and (3) international orientation on the other hand in shaping a firm's strategies and outcomes in overseas expansion	-Managerial political connection as a cognition barrier -Managers' lack of requisite knowledge, skills and experience in overseas expansion -Managers' strong motivation to learn and catch up with AMNCs
Meso-level	-State-equity as an ownership advantage promoting OFDI -Opportunity-seeking as a main motivation	-Stateness advantage also stemming from those firms' privileged relationships and intricate interactions with home government institutions -Asset-seeking as another main motivation to acquire crucial resources and capabilities from counterparts in advanced economies (reverse knowledge transfer) -Political agent in carrying out home government political goals -Aggressive and rapid internationalisation, rather than AMNC's gradualist approach
Macro-level	-The significance of legitimacy pressure in shaping MNCs behaviours and outcomes -Inter-country differences increase risks and uncertainties, add transaction costs and other liabilities of foreignness, thus creating a barrier for overseas expansion	-Institutional escapism view: weak home institutions drive EMNCs to escape from home country through overseas expansion -Institutional exploitation view: EMNCs are better at competing in developing countries than developed countries with similar weak institutions due to their familiarity with and expertise in managing such difficulties and uncertainties in their domestic market -The incentivising role of home government such as diplomatic support -Highlighting various coping strategies (including entry mode and ownership strategies before foreign-market entry, and CSR and CPA in the post-entry stage) to address legitimacy concerns -Escalating geopolitical rivalry and other disruptions have severely impacted firms linked to certain emerging market governments, shifting the landscape from an open market-oriented IB environment to an era characterised by intervention-oriented technologicalism

analysis of the political connections–overseas investments relationship. Given the political nature of EMNCs, the INP offers an important perspective from which to analyse the macro-institutional environment, which can provide strong support for the other theoretical perspectives in achieving a more comprehensive explanation. Specifically, the INP goes beyond the RBV and TCT, highlighting that the determinants of firm actions extend beyond economic optimisation to socially constructed beliefs and processes, cultural and legal rules and broader political contexts (Scott, 1995).

4.2.1. INP and RBV

In combination with the RBV and its focus on the firm level, the INP

can explain how an EMNC's ability to harness home country government-linked resources is amplified or constrained by the host country's regulatory, normative and cognitive institutions. On the one hand, such an interplay can offer insights into how politically connected EMNCs' experiences in and capabilities for operating in challenging institutions yield advantages in expanding into similar markets with weak institutions, hence amplifying the positive effects of political connected resources. On the other hand, the advantages associated with home country political resources may be difficult to transfer to or apply in developed economies, thus reducing the positive effects of politically connected resources.

4.2.2. INP and TCT

In addition, integrating the INP into the TCT complements the TCT's traditional focus on economic costs by taking institution-related costs into consideration. Usually, politically connected EMNCs feature higher risk tolerance given supportive home institutions and the downplay of economic interests and are hence more likely to expand overseas. Nevertheless, grave legitimacy concerns associated with home institutional factors can also lead to more opposition and conflicts in host countries with developed institutions, driving up transaction costs and, consequently, dragging down investments in those destinations.

4.2.3. INP and RDT

Moreover, the INP's macro-field-level focus can also be supplemented by the RDT's emphasis on both the firm and individual levels. In fact, the potential integration of those two theories has long been explored in the field of organisational theory (Oliver, 1991). An integration of the INP and the RDT sheds light on how the institutional environment and state involvement can change the power balance between an EMNC and its external parties. While strong support from home institutions offers politically connected EMNCs more bargaining power in host countries, over-reliance on the home government makes those EMNCs less motivated to go abroad. A third scenario is also plausible: In this case, politically connected EMNCs whose home government is more likely to exercise veto power rather than fulfil a care-giving role will seek more overseas investments to reduce its government's control.

4.3. Mediating mechanisms and outcomes

We identified the double-edged effects of political connections on EMNCs' overseas investment outcomes. Such effects stem from the resources and liabilities associated with political connections. According to the RBV, the TCT and the RDT, resources generally exert positive effects. In contrast, the INP and the RDT suggest that liabilities will likely bring negative effects.

4.3.1. Political connections as resources

Resources associated with home country political connections can be broadly categorised into five areas: (a) access to strategic resources that are generally controlled by the government, especially in emerging and state-led economies (Benito et al., 2016; Rudy et al., 2016); (b) policy incentives offering various tangible and intangible supports for OFDI and preferential regulations protecting firms from competition (Cui & Jiang, 2012; Hobdari et al., 2017; Shi et al., 2014); (c) acquisition of confidential information on domestic industries, crucial for success in countries characterised by institutional voids (Hillman et al., 1999); (d) diplomatic support to facilitate access to new markets (Duanmu, 2014); and (e) reduced uncertainty and expropriation risks (Kalasin et al., 2020). Studies that have emphasised those resources reported positive outcomes, such as a greater propensity to expand overseas (e.g., Yang et al., 2009), successful deal completion (e.g., Li et al., 2013), higher ownership obtained in cross-border acquisitions (e.g., Pinto et al., 2017), better post-merger performance (e.g., Brockman et al., 2013) and improved innovation performance (e.g., Anderson, Sutherland & Severe,

2015).

4.3.2. Political connections as liabilities

In addition to providing resources, home country political connections also generate four kinds of liabilities: (a) legitimacy concerns in host countries arising from a combination of ideological conflicts, national security concern and unfair market competition accusations (e.g., Cuervo-Cazurra et al., 2023; Lin, 2011), (b) the dilution of economic interests due to the priority of social and political goals (e.g., Okhmatovskiy, 2010; Okhmatovskiy et al., 2021; Panibratov, 2016), (c) reduction of firm autonomy and market orientation due to their dependence on the home country government (Du & Luo, 2016; Huang & Xie, Li, et al., 2017) and (4) rising transaction costs due to political uncertainty and operational disruptions under current deglobalisation winds (Meyer et al., 2023; Panibratov & Gaur, 2022). Those liabilities have led scholars to underscore negative outcomes, such as a lower propensity to internationalise (e.g., Du & Luo, 2016), a lower likelihood of succeeding overseas (e.g., Huang & Xie, Li, et al., 2017), less subsidiary ownership (e.g., Pan et al., 2014), fewer cumulative abnormal returns (e.g., Tao et al., 2017) and lower parent firms' innovation performance from OFDI (Wang et al., 2022).

Notably, over time there has been a change in the focus of research in this space. Earlier studies tend to focus on amplifying political connections as resources, while recent research is inclined toward mitigating political connections as liabilities. This shift has become especially pronounced in recent years, under the influence of disruptions caused by deglobalisation trends (Luo & Van Assche, 2023; Williamson, 2021; Witt et al., 2021, 2023).

5. Research agenda

Our literature review highlights the theoretical advances brought about by the emergence of EMNCs in the IB field, particularly in understanding politically connected EMNCs compared to AMNCs across the micro, meso and macro levels. This review not only outlines the current state of the field, but it also identifies salient underdeveloped themes. The geopolitical shifts trigger attention in politically connected EMNCs' boardrooms for operational disruptions associated with decoupling and de-risking and pave the way for future research in four key areas: (1) micro-level foundations of politically connected EMNCs' leaders, (2) coping strategies under deglobalisation at the meso-level, (3) geopolitical dynamics at the macro-level and (4) foreign market exit as an increasingly prevalent outcome.

5.1. Micro-level foundations of politically connected EMNCs' leaders

Interdisciplinary studies integrating social psychology and business ethics have begun to uncover the complexity at the leadership level, such as the mediating role of socialisation integration mechanisms in EMNC's cross-border M&A success (Khan et al., 2021). The exploration of the micro-level foundations of politically connected EMNCs' leaders presents a promising direction for future research. Within SOEs, leaders often possess a dual identity, serving both as heads of the organisation and as political figures (e.g., see Feldman et al., 2021). This dual role creates a dynamic interplay where personal ambitions, political objectives and organisational goals intertwine, influencing strategies and outcomes. This complex interplay opens rich avenues for exploration. Delving into how the personal and political goals of SOE leaders affect their strategies and motivations for overseas expansion, how they leverage political connections for personal and organisational advancement and what ethical considerations arise from those intertwining roles and goals would contribute to a deeper understanding of the micro-foundations of politically connected EMNCs.

The interplay between the political ideology of politically connected EMNCs' leaders and firms' international strategies represents another intriguing and underexplored avenue. A particularly compelling

illustration of the impact of political ideologies can be found in the decisions of CEOs, largely based on certain political values, to withdraw from the Russian market following the outbreak of the Russo-Ukrainian war in 2022. Such strategic decisions have been attributed to the prioritisation of social justice over economic interests (Thams & Dau, 2023). In emerging markets, where the duality of leader identity is prevalent, the impact of political ideology is likely to be more pronounced. This complex relationship can lead to an intriguing scenario, especially when the CEO's ideology is at odds with that of the home (or host) government. Considering that developing countries frequently exhibit political ideologies that diverge significantly from those in developed economies, particularly on geopolitical issues (Witt, 2019; Witt et al., 2023), such a contrast adds an additional layer of complexity that may be fruitfully explored in future research.

5.2. Coping strategies under deglobalisation at the meso-level

The coping strategies of politically connected EMNCs, encompassing both the pre- and post-entry stages, have been extensively studied in the era of open market-oriented liberalism. Those strategies have focused on addressing the unique and prevalent legitimacy concerns that politically connected EMNCs typically face. Utilising various means such as full acquisition, greenfield investment or engaging in corporate social responsibility initiatives, those EMNCs have sought to alleviate legitimacy concerns and build acceptance in their host countries (e.g., Fiaschi et al., 2017; Tashman et al., 2019; Tsui-Auch et al., 2022). However, the current shift towards intervention-oriented techno-nationalism has ushered in a new era that demands novel strategies (Luo & Van Assche, 2023). In response, Luo and colleagues (2022, 2023) devised a series of strategic responses tailored to specific firm-level characteristics. While those strategies are well-aligned with current challenges, they remain largely prescriptive. There is a pressing need to explore their implementation and rigorously examine their effects in real-world practices. Specifically, a future research direction focusing on geo-strategies, notably corporate diplomacy, emerges as particularly compelling and timely. Those geo-strategies become imperative in the current landscape, where the United States and China might misconceive each other's intentions while heavily relying on each other to address common grand challenges (Luo & Van Assche, 2023). An in-depth study of geo-strategies, linked with global value chain restructuring, can provide insights into how those deeply illegitimised or even stigmatised EMNCs can minimise exposure to techno-geopolitical uncertainties and global value chain disruptions. The study of those geo-strategies could reconcile conflicting national priorities with a firm's need for stable growth, creating dynamic capabilities that synergise corporate diplomacy with operational pragmatism.

5.3. Geopolitical dynamics at the macro-level

Global geopolitical dynamics are becoming more complex and politically charged, creating new blocs and alliances that bring politics increasingly into MNCs' boardrooms. IB scholars are only beginning to address the important questions this trend brings (Saittakari et al., 2023). The escalating geopolitical tensions are paralleled by a worldwide rise in domestic populism, a trend that compels firms to align with or oppose particular geopolitical movements (Bennett et al., 2023; Blake et al., 2022). Those phenomena particularly resonate with politically connected EMNCs, as their existing political connections become more pronounced under politicised macro-economic conditions. Moreover, those influences extend beyond host countries to EMNCs' home nations. Emerging markets such as China, India, Saudi Arabia and Russia are asserting their economic and political clout, shaping global geopolitical shifts and increasingly bringing connected enterprises along in their journey of greater global and economic influence. Shifting geopolitical alliances also come with tools for their implementations, such as the increased use of sanctions against geopolitical adversaries (Meyer et al.,

2023). EMNCs, especially those that are politically connected, may face heightened risks in this arena. In summary, an increasingly politicised global environment leaves many questions unexplored. Are politically connected EMNCs more likely to follow the lead of their governments in the wake of the shifting political alliances with overseas investments? Are emerging market governments more likely to utilise politically connected firms to reinforce their influence and partnerships abroad? How should those EMNCs respond to volatility and populism at home and in host markets given their more limited experience and expertise as multinationals? We believe that future studies can fruitfully explore such topics.

5.4. Foreign market exit as an increasingly prevalent outcome

The shifting political landscape and the emergence of new challenges in global markets such as COVID-19 have brought to the forefront an area that has traditionally been underexplored in IB literature: exit strategies. While the focus has generally been on market entry, especially in the context of emerging markets (see Reilly et al., 2023), the current geopolitical dynamics may compel MNCs, especially politically connected EMNCs, to make more exit decisions. Moreover, emerging markets, which were previously seen on an accelerated growth path, now face more complex political challenges and, in some cases, slowing economic growth in their home countries. This situation may prompt politically connected EMNCs to consider subsidiary exits more seriously than their mature MNC counterparts. Recent work on Japanese firm exits suggests that timing and mode of exit are separate decisions that require careful consideration (Dai et al., 2022). However, the existing body of work on emerging market exits is limited, and there remains significant scope for exploring the nuances of de-investment or exit decisions for EMNCs. Unanswered questions that warrant further exploration include the exploration of various exit options such as reducing subsidiary ownership via M&A, partnerships or closure and the ensuing business and political implications in both the home and host countries, including the influence of and impact on their political connections. For example, under what conditions would the presence of political connections accelerate or delay an exit from host country markets? Additionally, an inquiry into how EMNCs, when faced with expropriation or sanctions, utilise their political connections in their home country to navigate host market pressures could offer novel theoretical advances. The exploration of exit strategies in the context of shifting geopolitical winds could unlock critical insights into how EMNCs navigate complex political landscapes, thereby shaping the trajectory of IB in an increasingly politicised world.

6. Conclusion

EMNCs that become large global players are often supported by political connections to their home country governments, generating admiration as well as suspicion. This paper has conducted a comprehensive review of the literature related to politically connected EMNCs, offering a comprehensive conceptualisation of their home country political connections, and unpacking diverse theoretical perspectives in explaining their overseas investment outcomes. By means of this review, we summarise an interplay of theoretical perspectives and develop a context–mechanism–outcome framework across three contextual levels, emphasising the convergence and divergence between politically connected EMNCs and AMNCs. Based on this framework, we call for more research in light of the current geopolitical shifts, including micro-level foundations of politically connected EMNCs' leaders, coping strategies under the deglobalisation trends at the meso-level, geopolitical dynamics at the macro-level and foreign market exit. It is our hope that this review will guide future research into the important phenomenon of overseas expansion by politically connected EMNCs.

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Declaration of Competing Interest

None.

Data Availability

Data will be made available on request.

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