



Bachelor's Degree in Business Administration

Course of Competitive Strategy

Populist Politics and International Business: A Study on the Reciprocal Effects

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ABSTRACT

With the growing popularity of populist politics around the world, understanding its impact on the operations of multinational enterprises (MNEs) is becoming crucial to contemporary strategic management and political risk analysis. This thesis attempts to answer the questions: how populism affects the operation of companies in international markets, and whether and how the actions of these companies can reinforce populist movements.

The aim of the study is to identify the mechanisms by which populist policies affect companies' internationalization strategies and to determine how companies can adapt to dynamic and often unpredictable political conditions. The study was based on a literature analysis, supplemented by an expert interview with a representative of a multinational company operating in a country ruled by a populist government.

The results indicate that populist governments introduce regulatory instability and increase political risk, limiting foreign direct investment (FDI) inflows and making it difficult for companies to plan long-term strategies. At the same time, it has been shown that certain corporate practices, such as moving production overseas, can inadvertently reinforce anti-globalist sentiment.

The study's conclusions have important practical implications - providing guidance on how companies can effectively manage political risk in a volatile environment and build strategies that are resilient to the influence of populist.

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CHAPTER ONE

1. Introduction

1.1. Background Information

Populism is a widely used concept in political research. Even though there is a wide range of definitions of populism across studies, the widely accepted definition is that it is a state political movement that takes place in democratic nations or societies acting as a representation of the nation's critical issues regarding the conflict between two completely different groups; the 'people' and the 'elite.' Distinguishing the two, the people in this context are the honest, hard-working, and trustworthy but disaffected state inhabitants, who should comply with a deceitful, aloof, oppressive, exploitative ruling elite associated with large, immoral, and regularly foreign economic and cultural influences. This explains that the most extreme version of populism views the nation as experiencing a Manichaeian confrontation between the good forces from the people and evil forces that originate from the elite¹. In most instances, populist adheres to the people's voice. Apart from these, their ideologies entail a grasp of "anti" features such as anti-elitism, anti-foreignism, and anti-institutionalism².

There is an almost five-fold increase in populist leaders and parties in power compared to the end of the Cold War, or a three-fold increase post the turn of the 21st century. While populism increased and many more populist leaders and parties entered power from the mid-2000s up to the early part of the 2010s, as seen today, its level is still relatively high as it has been at any time within the last three decades. There are various manifestations of populism in different political

¹ Jones, K. (2021). *Populism and trade: The challenge to the global trading system*. Oxford University Press.

² Hartwell, C. A., James, B., Lindner, T., Müllner, J., & Vaaler, P. M. (2024). Populist politics and international business policy: Problems, practices, and prescriptions for MNEs. *Journal of International Business Policy*, 7(1), 12-18.

contexts, which gives different approaches to how to deal with this phenomenon³. Populism encouraging cultural divisions has superseded other forms and does not seem to be fading soon. While economic populist attitudes have declined after the early 2010s rise and overwhelmingly populism focusing on non-ideological issues, areas such as corruption have remained stable since 1990.

From a business perspective, populism occurs in different political systems and significantly affects local and international business environments. Political leaders from right-wing populism habitually emphasize ethno-nationalism and anti-foreignism views⁴. This contributes to developing policies such as special tariffs, forced buyouts, or subsidies favoring local businesses intending to discriminate against foreign businesses. This suggests that the government operating with such a political system embraces unorthodox, unpredictable policies, which leads to the uprising of political uncertainty, thus making it hard for businesses to predict and develop plans for their business operations⁵. On the other hand, leaders with a left-wing populism incline on issues such as redistribution of wealth or challenging capitalist structures, which has the possibility of impacting business operations through different ways, such as nationalizations and changes of regulations to develop a new one that supports social equity⁶. Therefore, both forms of populism have a similar element of uncertainty in how they deal with governance as they flex their muscle, largely ignoring formal law processes, meaning that it is

³ Kyle, J., & Meyer, B. (2020, February 7). High Tide? Populism in Power, 1990-2020. *Institute for Global Change*. Retrieved March 25, 2025, from <https://institute.global/insights/politics-and-governance/high-tide-populism-power-1990-2020>

⁴ Mezas, J. M. (2002). How to identify liabilities of foreignness and assess their effects on multinational corporations. *Journal of International Management*, 8(3), 265-282.

⁵ Sallai, D., & Schnyder, G. (2021). What is “authoritarian” about authoritarian capitalism? The dual erosion of the private–public divide in state-dominated business systems. *Business & Society*, 60(6), 1312-1348.

⁶ Sallai, D., Schnyder, G., Kinderman, D., & Nölke, A. (2024). The antecedents of MNC political risk and uncertainty under right-wing populist governments. *Journal of International Business Policy*, 7(1), 41-63.

difficult for firms to evaluate the political risk. This makes it hard for businesses to comprehend and adapt to the market since the policies change frequently.

Populist movements can be attributed to the integration of low-wage economies in the global market, which is the main reason for economic shifts from all over the globe. Since regions have become more inclined towards international competition, especially through imports from China, manufacturing-dependent communities have suffered significantly through the decline of their economic growth. This has been more so seen in the United States and Western Europe, where industries that gave quality jobs in the form of stable white-collar employment either contracted out jobs or shut down⁷. People in these regions have lost their jobs or have seen their wages cut, thus leading to a rise in populist politicians who vow to shield domestic businesses from the influence of globalization⁸. For instance, some areas in the United States, including the industrial belt, voted for Donald Trump in the 2016 elections because they saw their manufacturing industries disappear and unwanted decay around them⁹. Likewise, globalization brought economic effects in Europe and America, like the entry of Chinese merchandise, which was increasingly associated with increased support for nationalist and isolationist political parties, exemplified by the Brexit referendum¹⁰. Thus, the increase in populist movements in both the American and European continents has focused on economic nationalism as leaders see themselves as defenders of the nation's sovereignty and national self-interests rather than in the global interest¹¹. This

⁷ Colantone, I., & Stanig, P. (2018). The trade origins of economic nationalism: Import competition and voting behavior in Western Europe. *American Journal of Political Science*, 62(4), 936-953.

⁸ Malgouyres, C. (2017). *Trade shocks and far-right voting: Evidence from French presidential elections*. Robert Schuman Centre for Advanced Studies Research Paper No. RSCAS, 21.

⁹ Autor, D. H., Dorn, D., & Hanson, G. H. (2013). The China syndrome: Local labor market effects of import competition in the United States. *American Economic Review*, 103(6), 2121-2168.

¹⁰ Colantone, I., & Stanig, P. (2018). The trade origins of economic nationalism: Import competition and voting behavior in Western Europe. *American Journal of Political Science*, 62(4), 936-953.

¹¹ Broz, J. L., Frieden, J., & Weymouth, S. (2021). Populism in place: the economic geography of the globalization backlash. *International Organization*, 75(2), 464-494.

economic backlash against globalization exposes areas of inequitable economic development in which the effects of globalization are most severely experienced in localized areas, deepening resentment and political polarization.

Populism impacts multinational organizations (MNEs) as it leads to the phenomenon in which such firms become subject to biases from populist governments. These governments, therefore, perceive MNEs in terms of foreign elites' interests given their 'anti-elitist' orientations, thus suggesting that the 'liability of foreignness' is a factor that applies to these organizations¹². Populists support protectionism policies on overseas companies and even oppose written treaties and agreements. For instance, populist governments may alter investment contracts or introduce new costs on international firms while arguing that such actions favor "the people's" interests. This entails measures such as changing the tax rates, which pressure the firms to shift production to less developed areas to reduce local unemployment, as seen in Trump's "Make America Great Again" policies¹³. The same was evident when the UK voted in the European Union (EU) with populist leaders and deals of firms seeing new barriers to trading and the potential of being unable to access the EU single market. Populism can also impact MNEs' strategies, pushing them to concentrate on directing investments in new strategies to minimize political risks¹⁴. Therefore, populism puts MNEs in a hostile environment characterized by political volatilities that affect their business, investment, and strategic plans.

¹² Hartwell, C. A., & Devinney, T. (2021). Populism, political risk, and pandemics: The challenges of political leadership for business in a post-COVID world. *Journal of World Business*, 56(4), 101225.

¹³ Hartwell, C. A., James, B., Lindner, T., Müllner, J., & Vaaler, P. M. (2024). Populist politics and international business policy: Problems, practices, and prescriptions for MNEs. *Journal of International Business Policy*, 7(1), 12-18.

¹⁴ Meislová, M. B., & Chrysogelos, A. (2024). The ambiguous impact of populist trade discourses on the international economic order. *International Affairs*, 100(5), 1941-1957.

1.2. Problem Statement

The politics of populism are characterized by anti-globalization, nationalist, and sometimes protectionist sentiments, which are on the rise across the globe, with the increased focus being led by economies in the developed world. This shift has happened due to dissatisfaction with globalization and perceived social and economic injustices, which have greatly affected domestic policies and governance¹⁵. Trade liberalization, foreign investment, and globalization benefits are often questioned by populist governments, where their leaders see multinational companies as representing elites' interests, thus undermining national sovereignty¹⁶. Despite populism receiving much attention in political science, there is less understanding of how it shapes international firms and, specifically, how populist policies impact the internationalization decisions of firms in the digital world.

This literature gap leads to a lack of clear models and frameworks to help international firms operate in the current political instability and risk associated with populism. As populist leaders focus on domestic actions and act in their nations' best interest to protect domestic industries and jobs through protectionism, international firms will likely experience various problems related to regulatory risks and issues that hamper international trade and investment. There are new barriers involved in digital globalization, including government barriers to the movement of data, new taxes on cross-border transactions, and threats of the re-orientation of industries globally, which should be considered by firms interested in overseas expansion¹⁷. Such

¹⁵ Vaaler, P., Hartwell, C., James, B., Lindner, T., & Müllner, J. (2024). *Populist politics and international business policy: Problems, practices, and prescriptions for MNEs*.

¹⁶ Alcaraz, J., Martinez-Suarez, J., & Montoya, M. A. (2024). Effect of populism on the internationalization of emerging market firms. *European Business Review*, 36(1), 12-31.

¹⁷ Lavery, S. (2024). Rebuilding the fortress? Europe in a changing world economy. *Review of International Political Economy*, 31(1), 330-353.

political changes and dynamic technological advancement make it difficult for firms to evaluate and mitigate risks appropriately.

Although it has been established that populism affects the national macroeconomic environment, in many studies¹⁸¹⁹²⁰²¹, more research is needed regarding the interdependence between populist governments and international firms. Specifically, it is necessary to recognize how populist policies affect not only the internationalization activities of companies but also how international companies, through their actions, may fuel populist sentiments. This research aims to address this gap in the literature.

1.3. Research Objectives

1.3.1. General Objectives

The general objective of this investigation is to investigate the impact of populism on international firms and how these corporations, through their international business operations and strategic decisions, lead and support populist political movements.

1.3.2. Specific Objectives

The specific objectives of this study are as follows;

1. To investigate how international firms are affected by the actions of populist politicians.
2. To investigate how international firms themselves influence the rise and support of populist politicians.

¹⁸ Hartwell, C. A., James, B., Lindner, T., Müllner, J., & Vaaler, P. M. (2024). Populist politics and international business policy: Problems, practices, and prescriptions for MNEs. *Journal of International Business Policy*, 7(1), 12-18.

¹⁹ Alcaraz, J., Martinez-Suarez, J., & Montoya, M. A. (2024). Effect of populism on the internationalization of emerging market firms. *European Business Review*, 36(1), 12-31.

²⁰ Sallai, D., Schnyder, G., Kinderman, D., & Nölke, A. (2024). The antecedents of MNC political risk and uncertainty under right-wing populist governments. *Journal of International Business Policy*, 7(1), 41-63.

²¹ White III, G. O., Rajwani, T., & Lawton, T. C. (2021). Open for business in a closed world? Managing MNE nonmarket strategy in times of populism and geopolitical uncertainty. *Multinational Business Review*, 29(4), 441-450.

1.3.3. Hypotheses

H1: Populism movements present both challenges and opportunities to international firms.

H2: International firms play a critical role in contributing to populism due to their business operations activities, such as offshoring jobs in other countries and economic injustices.

1.4. Research Significance

This study's significance is attributed to filling the existing research gap on populism as a factor in international business and how international business, in turn, affects political populism. As populism becomes more prevalent, particularly in the United States, the United Kingdom, and the rest of Europe, it has become increasingly important for firms to understand the dynamics of their engagements with populist governments.

This research is unique in its approach to examining political risk since, unlike most literature in this field, it considers the role of populist governments for international firms, particularly in the present era. It examines how these firms' internationalization strategies are influenced by these leaders' anti-globalization, populism, protectionism, and nationalism policies. Consequently, by targeting populist governments, the study contributes to the literature from a novel angle of investigating the sources of political instability and external risk factors affecting international companies in the current unpredictable climate.

Besides, by constructing a multi-level model of country, sector, and firm factors to investigate the probability of international firms encountering political uncertainty when operating under populist governments, this study advances global business knowledge. Furthermore, the study's implications can be useful for international organizations that would like to identify and analyze political risk in countries that experience populism, and based on this analysis, they can change their strategy accordingly. Knowledge about how populist policies impact trade,

investment, and operational activities will be useful to policymakers and business executives. The practical implications of this research are profoundly important for international firms targeting or already present in markets affected by populism. Thus, by making recommendations on how international firms can minimize the risks in the context of populism, this study aims to contribute to a practical guide for international business managers.

CHAPTER TWO

2.0.Literature Review and Theoretical Framework

2.1. Theoretical Framework

2.1.1. Institutional Theory

Kraft et al.²² argue that this model can be understood as policy-making focusing more on formal and legal components of government-related structures. Additionally, Scott & Richard (2008) argues that this model emphasizes the resilient aspects of social structures. Considering the main factors that play a critical role in shaping formal organizational structures, including the regulations, customs, routines, and schemes (both formal and informal) that develop social behavior's authoritative guidelines, make it easier to understand this theory. Scott²³ further asserts that the model defines institutions as the processes by which various formal structures like rules, norms, routines, and schemas are established and diffused as the standard way of functioning of the institutions. The model explores how these factors are developed, diffused, adopted, and modified in different settings and over time and how they ultimately lose significance. The theory emphasizes that organizations are open systems, thus implying that their external environments greatly impact them. However, the model submits that in addition to competitive and efficiency-

²² Kraft, M. E., & Furlong, S. R. (2020). *Public policy: Politics, analysis, and alternatives*. CQ Press.

²³ Scott, W. R. (2008). *Institutions and organizations: Ideas and interests* (3rd ed.). SAGE Publications.

driven forces, formalized beliefs and developed regulations significantly influence the forms through which organizations are shaped and how they are run.

If a business needs to pursue a long-term existence, it needs to look at the different aspects of the Meso-to-Meta tiers. Thus, from the management perspective, an institution's aim should be to provide value for critical stakeholders, including investors and employees, to facilitate sustainable strategic management decisions. It is noteworthy to consider that internal and external factors determine the firm's ability to generate value²⁴. To create positive business conditions within which sustainable scenarios can be cultivated, the firm has to navigate through four main levels: The first one is called the Meta level; the second is the Macro level; the third is the Meso level; and the final one is the Micro level. At the meta-level, social, cultural, political, technological, and economic factors influence the firm. These elements play a critical role in shaping the macro-environment in which the firm is located or operates. An understanding and evaluation of these factors can help the firm determine the environment in which the particular industry operates (Bhasin, 2017). This involves the ability to undertake a fundamental analysis of the governmental role in the development of policies development, particularly in their specific area of operation, the openness of the market to the firm's specific industries, financial markets' efficiency in raising funds, development of infrastructures and the overall governance structures at national and regional levels. Moreover, the state of the labor market and the legal environment in the context of the industry's operations is also important.

The relevance of this theory in this research is that populist politicians and their governments, based on nationalist and protectionist ideologies, affect the macro-environment of the international firms in which they operate by introducing new barriers to their business

²⁴ Bhasin, S. (2017). *Institutional theory—the logic of institutions*.

operations. This explains that the theory guides the research by examining the impact of the institutional environment contributed by populist governments and how these organizations respond. Therefore, the theory will help develop an understanding of how international firms navigate the shifting trade policies and regulations developed by populist governments.

2.1.2. Theory of Political Risk

Jimenez et al. (2011)²⁵ argue that political risks are the possibility in which a given nation deploys its monopoly of legal force with the main goal of breaking a promise on the agreements reached with multinational companies, with the expected results being to impact the redistribution of income between the public and private sectors. This means that such risk would stem from the changes in the normative frameworks currently in place in each country to influence the interests of foreign traders and investors²⁶. Similarly, the main source of political risks is government actions aimed at altering economic transactions and introducing changes in the terms of agreements and expropriations. Other authors consider actors rather than state actors as the main sources of political risk. For instance, Root (1972)²⁷ argues that political risk originates from regulatory or government actions and political leaders, political parties, societal groups, or unions that impact foreign direct investment. Simon (1984)²⁸ provides a more refined concept, arguing that political risks are actions and policies developed by the government or society that adversely impact organizations operating in a given sector or on most investment and international firms or business operations.

²⁵ Jimenez, A., Durán, J. J., & de la Fuente, J. M. (2011). Political risk as a determinant of investment by Spanish multinational firms in Europe. *Applied Economics Letters*, 18(8), 789-793.

²⁶ Ruiz Granada, L., & Becerra, L. R. (2000). The political risk of a country. *Academic and Institutional Journal of the UCPR*, 58.

²⁷ Root, F. R. (1972). *Analyzing political risks in international business*. In *The multinational enterprise in transition* (pp. 354-365).

²⁸ Simon, J. D. (1984). A theoretical perspective on political risk. *Journal of International Business Studies*, 15, 123-143.

Taking into consideration the above arguments, the populist governments would be, almost solely, the only actor that is responsible for political risk generation, either due to their actions in making changes to the regulatory framework in favor of the people on the other hand, they adversely affect the multinational corporations as they are categorized as the elite. Therefore, this theory guides the research in understanding how populist government affects international firms' strategies, particularly internalization.

2.1.3. Corporate Political Activity (CPA) Theory

Boddewyn (2007)²⁹ argues that CPA is a subfield in non-market strategy where it plays a critical role in studying the political actions of organizations in the regulatory environment. Hillman et al. (2004)³⁰ define this theory as an organization's attempt to shape government policies. This explains that CPA allows organizations to engage in activities not necessarily associated with commercial strategies. Hillman & Wan (2005)³¹ argue that corporate lobbying is a unique CPA employed by firms that entails providing information to government policymakers in a way that they develop policies that favor them³². Such a CPA strategy is referred to as engaged CPA.

The rise of populism is leading to an increase in political uncertainties, and with many countries moving towards this ideology, it is anticipated that political uncertainty will not fade away very soon³³. Corporations, especially multinational or international companies, face a new reality with ambiguity regarding the flows to and from a state and, in extreme cases, expropriation

²⁹ Boddewyn, J. J. (2007). The internationalization of the public-affairs function in US multinational enterprises: Organization and management. *Business & Society*, 46(2), 136-173.

³⁰ Hillman, A. J., Keim, G. D., & Schuler, D. (2004). Corporate political activity: A review and research agenda. *Journal of Management*, 30(6), 837-857.

³¹ Hillman, A. J., & Wan, W. P. (2005). The determinants of MNE subsidiaries' political strategies: Evidence of institutional duality. *Journal of International Business Studies*, 36, 322-340.

³² Boddewyn, J. J. (2003). Understanding and advancing the concept of nonmarket. *Business & Society*, 42(3), 297-327.

³³ Hartwell, C. A., & Devinney, T. (2021). Populism, political risk, and pandemics: The challenges of political leadership for business in a post-COVID world. *Journal of World Business*, 56(4), 101225.

risk. White III et al. (2021)³⁴ argue that these firms may embrace non-market strategies to address the regulatory and political uncertainties and volatilities in a state with populist governance. On the contrary, this may necessitate an increased need for these firms to engage in CPA and create associations with populist governments to attempt to negotiate political stability and negotiate deals on ways to be informed about regulatory changes³⁵. However, Feldmann & Morgan (2021) argue that populist politicians view international firms as elite, possessing the people's interest and reducing business power to influence politics. Such changes may contribute to changes in CPA strategies, discourage these firms from participating in political actions, or even coerce them to support the populist regime³⁶. De Villa et al. (2019)³⁷ suggest that some of the firms that find themselves in such a situation may adopt an exit strategy (a non-engaged CPA strategy) where they leave the country as a way of avoiding any form of interaction with the populist government and the need to shift from a less desirable business environment. An exit strategy is costly for some firms, and they are even forced to adopt a voice or loyal CPA strategy. The initial strategy is where the firms exercise their voice about predicted policies or regulations (soft voice). Similarly, they can resist the changes (loud voice). Loyalty is a non-engagement strategy where the firms comply with the changes of the populist government, thus avoiding attention from the policymakers³⁸³⁹.

³⁴ White III, G. O., Rajwani, T., & Lawton, T. C. (2021). Open for business in a closed world? Managing MNE nonmarket strategy in times of populism and geopolitical uncertainty. *Multinational Business Review*, 29(4), 441-450.

³⁵ Blake, D. J., Markus, S., & Martinez-Suarez, J. (2024). Populist syndrome and nonmarket strategy. *Journal of Management Studies*, 61(2), 525-560

³⁶ Hartwell, C. A., James, B., Lindner, T., Müllner, J., & Vaaler, P. M. (2024). Populist politics and international business policy: Problems, practices, and prescriptions for MNEs. *Journal of International Business Policy*, 7(1), 12-18.

³⁷ De Villa, M. A., Rajwani, T., Lawton, T. C., & Mellahi, K. (2019). To engage or not to engage with host governments: Corporate political activity and host country political risk. *Global Strategy Journal*, 9(2), 208-242.

³⁸ De Villa, M. A., Rajwani, T., Lawton, T. C., & Mellahi, K. (2019). To engage or not to engage with host governments: Corporate political activity and host country political risk. *Global Strategy Journal*, 9(2), 208-242.

³⁹ Feldmann, M., & Morgan, G. (2022). Business elites and populism: Understanding business responses. *New Political Economy*, 27(2), 347-359.

The application of the theory in this research is to understand how international firms in populist nations can influence the populist narrative and can be influenced by the populist movements. It also provides knowledge into how international firms' business operational decisions have a higher probability of involuntarily fueling populist movements' narrative and how they can lessen this by engaging in non-engagement strategies that promote corporate practices or political activities that align with the people's interests.

2.2. Literature Review

2.2.1. Populism and Its Political-Economic Consequences

There is a wide range of definitions proposed by different researchers about populism. Hartwell et al. (2024)⁴⁰ define populism as an act in which populist leaders listen to people's voices. Alcaraz et al. (2024)⁴¹ define it as a group of ideas that are categorized by the Machichean distinction between the people (the good) and the elite (regarded as the evil). Jones (2021)⁴² defines it as a state political movement that takes place in democratic nations or societies acting as a representation of the nation's critical issues regarding the conflict between two completely different groups: the 'people' and the 'elite.' Lee et al. (2023)⁴³ provide an ideational definition of this concept where they state that it is a 'thin-centered' philosophy that takes into account that society in any given country contains two homogenous and antagonistic groups, which include the "people" and the "elite" and it tends to asserts that politics in these states should always be an

⁴⁰ Hartwell, C. A., James, B., Lindner, T., Müllner, J., & Vaaler, P. M. (2024). Populist politics and international business policy: Problems, practices, and prescriptions for MNEs. *Journal of International Business Policy*, 7(1), 12-18.

⁴¹ Alcaraz, J., Martinez-Suarez, J., & Montoya, M. A. (2024). Effect of populism on the internationalization of emerging market firms. *European Business Review*, 36(1), 12-31.

⁴² Jones, K. (2021). *Populism and trade: The challenge to the global trading system*. Oxford University Press.

⁴³ Lee, S. (2023). *The impact of populist executive on the inflow of foreign direct investment in Latin America*. KIEP Research Paper, World Economy Brief (WEB), 23-13.

expression of the people's interest. From an economic approach, Rode & Revuelta (2015)⁴⁴ define it as prejudiced economic policies aimed at the weaker classes that stress economic development and redistribution of income and discourage economic risks such as inflation and finance scarcity, external restrictions, and the reaction of economic agents to hostile non-market policies. Weyland's (2001)⁴⁵ definition is based on the political-strategic approach. Through this approach, they define it as a political strategy where a leader with personalistic features seeks and exercises their powers in government based on direct, immediate, noninstitutionalized support from a huge crowd containing unorganized followers. From a sociocultural approach, Ostiguy (2017)⁴⁶ defines populism as a certain form of political link between the political actors and a societal population formed and justified through more basic, simple appeals that are acceptable and popular within society due to cultural and historical reasons.

There are different typologies of populism evident in literature. One piece of evidence in Halikiopoulou & Vlandas's (2022)⁴⁷ research is ideological typology, and one of the populisms under it includes right- and left-wing populism. The authors argue that right-wing populism, which is also referred to as national and right populism, is an ideology in politics that entails a combination of right-wing politics with populist rhetoric and themes. It employs populist themes (such as neo-nationalism, social liberalism, economic nationalism, and fiscal liberalism), an anti-establishment stance, and appeals to the masses or on their behalf. This type of populism has been increasing across European countries and has three main characteristics. The initial one is that

⁴⁴ Rode, M., & Revuelta, J. (2015). The wild bunch! An empirical note on populism and economic institutions. *Economics of Governance*, 16(1), 73-96.

⁴⁵ Weyland, K. (2001). Clarifying a contested concept: Populism in the study of Latin American politics. *Comparative Politics*, 1-22.

⁴⁶ Ostiguy, P., Kaltwasser, C. R., Taggart, P., & Espejo, P. (2017). A socio-cultural approach. In C. R. Kaltwasser, P. Taggart, P. O. Espejo, & P. Ostiguy (Eds.), *The Oxford handbook of populism* (pp. 73-97). Oxford University Press.

⁴⁷ Halikiopoulou, D., & Vlandas, T. (2022). *Understanding right-wing populism and what to do about it*.

parties have acquired electoral performance success with a pledge to restore national sovereignty and implement policies that favor the native people over the immigrants. The second feature is the rise in the parties' entrenchment into their corresponding political systems via office accessibility⁴⁸. The other feature is the increased ability of the parties related to this topology to influence the policy agendas of other parties. On the other hand, left-wing, which is also referred to as social populism, is a political ideology that involves a combination of left-wing politics with populism rhetoric and themes. They include economic democracy, social justice among the citizens, and doubt about the advantages of globalization, as suggested by Tushnet (2019)⁴⁹.

Ivaldi & Mazzoleni's (2019)⁵⁰ research suggests that the main populism that falls under the economic typology is economic populism (anti-elite populism) and neoliberal populism. According to the authors, the first one stands for anti-elite, aiming at fighting the elite domination of the economy and promoting the welfare of the common person rather than the elites, big businesses, and the finance market. This comprises concepts such as protectionism and economic nationalism. On the contrary, the term Neoliberal Populism describes a situation where populist policies are implemented alongside neoliberal policies, such as privatization and deregulation, and at the same time, populist policies that might be preferred by the public, such as direct cash transfers or subsidies. According to Bugaric, (2019)⁵¹, there are two types of political populism, and these are authoritarian and democratic populism. Authoritarian populism refers to populist leaders or movements that call for increased power to the executive or a particular regime and are most often pertinent to the nation's self-interest. It is associated with fascist regimes with autocratic

⁴⁸ Halikiopoulou, D., & Vlandas, T. (2022). *Understanding right-wing populism and what to do about it*.

⁴⁹ Tushnet, M. (2019). Varieties of populism. *German Law Journal*, 20(3), 382-389.

⁵⁰ Ivaldi, G., & Mazzoleni, O. (2019). Economic populism and producerism: European right-wing populist parties in a transatlantic perspective. *Populism*, 2(1), 1-28.

⁵¹ Bugaric, B. (2019). The two faces of populism: Between authoritarian and democratic populism. *German Law Journal*, 20(3), 390-400.

rulers often being in power. Institutional democracy focuses on the populist leader who claims to restore political power for the citizens and relies mostly on populist direct democracy instruments such as the referendum or plebiscite.

Aiginger (2020)⁵² argues that populism emerges due to four main factors: economic causes, cultural causes, the speed of change due to globalization, and failure of the policies in the management of the transition to higher welfare, both in the local and across the globe. Examples of the economic cause, according to the author, include low economic growth, an increase in the unemployment rate, and inequality. These issues occur due to the financial crisis, with the most recognized one being the one that occurred in 2009, regardless of whether the political leaders have learned some lessons from the previous ones, such as the Great Depression of the 1930s. Its impact was detrimental to the point in which it took the European countries five years to attain pre-crisis output again. In the meantime, unemployment skyrocketed to about 40% - 50% in some states. This called for intervention by international coordinators and demand stabilization to prevent a larger crisis. Nevertheless, seeing a specific perspective, it also justified the populist proposals evident today that point out that national strategies are always better. According to Aiginger (2020)⁵³, the cultural cause leads to populist voting, and this can be traced back to the shift in the value systems that literature describes as slow changes in Western society's values too liberal from conservative.

⁵² Aiginger, K. (2020). Populism: Root causes, power grabbing, and counter strategy. *Intereconomics*. <https://www.intereconomics.eu/contents/year/2020/number/1/article/populism-root-causes-power-grabbing-and-counter-strategy.html>

⁵³ Aiginger, K. (2020). Populism: Root causes, power grabbing, and counter strategy. *Intereconomics*. <https://www.intereconomics.eu/contents/year/2020/number/1/article/populism-root-causes-power-grabbing-and-counter-strategy.html>

Rodrik (2021)⁵⁴ explains how the speed of change brought up by globalization leads to the rise of populism. According to the author, this phenomenon leads to economic dislocation in a given state, motivating voters to vote for a populist regime. For instance, when a state is experiencing increased job losses due to the influx of imports into their domestic markets, the voters eventually turn to populist leaders advocating for nationalism and implementing protectionist policies as a stronger stance against foreign competition. Regarding the last root cause, Aiginger (2020)⁵⁵ suggests that economic policy that cannot respond to the processes of globalization and its impact may result in populism. Globalization theory recognizes that low-skilled workers, especially in industrialized countries, lose out, and this can be compensated by welfare or training for other jobs. However, the theory recognizes that such compensation cannot be fully attained, and surveys indicate that those who seek help prefer active solutions, more so in the form of job shifts or retraining instead of relying on welfare for the long term. When economic policies fail to envisage the status of deprived people and don't provide remedies, it fuels further displeasure. Such disillusionment results in the people voting populist leaders into power with the hope that they will bring back the lost glory and shift all the blame to persons from other regions.

Recent research points to populist governments' impacts, one of them being the trade policies, with some of the research showing that there is a leaning towards protectionism. Some authors claim that populist leaders rely on economic frustration and cultural concerns to impose protectionism and depict globalization as threatening national identity and businesses⁵⁶⁵⁷. Other

⁵⁴ Rodrik, D. (2021). Why does globalization fuel populism? Economics, culture, and the rise of right-wing populism. *Annual Review of Economics*, 13(1), 133-170.

⁵⁵ Aiginger, K. (2020). Populism: Root causes, power grabbing, and counter strategy. *Intereconomics*. <https://www.intereconomics.eu/contents/year/2020/number/1/article/populism-root-causes-power-grabbing-and-counter-strategy.html>

⁵⁶ Norris, P., & Inglehart, R. (2019). *Cultural backlash: Trump, Brexit, and authoritarian populism*. Cambridge University Press.

⁵⁷ Mudde, C. (2007). *Populist radical right parties in Europe*. Cambridge University Press.

studies argue that supporters of populist parties advocating protectionist policies arise mainly from economic and trade employment losses. However, the study Colantone and Stanig conducted in 2018 proved that countries with the highest import in competition, especially from China, saw a shift towards nationalist and anti-trade political parties. Likewise, Milner (2021)⁵⁸ notes that economic insecurity is associated with increased support for right-wing populist parties, which often use rhetoric to advocate for trade limitations and defense of national industries. However, Margalit (2019)⁵⁹ has further noted that these effects may be short-term and conditional in reviving the entire economy.

Beyond the economic components, cultural hatred has been noted as a contributing factor to the trade preferences of the populists. According to Norris & Inglehart (2019)⁶⁰, populism entails economic nationalism, which is joined with protectionism, which paints trade as a menace to a country's identity. A study conducted by Blendon et al. (2017)⁶¹ found that the majority of Trump supporters, for example, associated trade negativity with xenophobic sentiments as opposed to actual financial repercussions. Similarly, in a related study, Essig et al. (2021)⁶² provide insight that populist leaders such as Trump managed to tirelessly depict trade as an emblem of the country's regression to mobilize support for protectionism regardless of actual economic signals. This cultural factor sets populist protectionism apart from the traditional economic anti-trade stance. Whereas compensation policies can reduce protectionism to a certain degree, populist

⁵⁸ Milner, H. V. (2021). Voting for populism in Europe: Globalization, technological change, and the extreme right. *Comparative Political Studies*, 54(13), 2286-2320.

⁵⁹ Margalit, Y. (2019). Political responses to economic shocks. *Annual Review of Political Science*, 22(1), 277-295.

⁶⁰ Norris, P., & Inglehart, R. (2019). *Cultural backlash: Trump, Brexit, and authoritarian populism*. Cambridge University Press

⁶¹ Blendon, R. J., Casey, L. S., & Benson, J. M. (2017). Public opinion and Trump's jobs and trade policies. *Challenge*, 60(3), 228-244.

⁶² Essig, J., Xu, P., Garand, J. C., & Keser, C. (2021). The "Trump" effect: Political elite and support for free trade in America. *American Politics Research*, 49(3), 328-342

resistance is characterized by resentment against international economic integration based on ideological reasons⁶³⁶⁴.

Populistic governments that hold anti-elite and nationalist stances establish policies that are unfriendly to FDI and deter international firms due to volatile political and legal uncertainty environments⁶⁵⁶⁶. Populist governments create many risks to foreign investors because they often change the laws and regulations and protect national companies through discriminatory policies⁶⁷. In their study, Funke et al. (2023)⁶⁸ show that populist regimes are linked to institutional deterioration, such as decreases in judicial independence and media freedom, which is detrimental to FDI. Hungarian and Polish history and the experience of Latin American countries show that unpredictable measures like special taxes for foreign companies or compulsory acquisitions negatively impact the flow of FDIs⁶⁹⁷⁰. Empirical studies further confirm that the effect of populism on FDI differs concerning the industries and types of firms. Political risk significantly impacts international firms in non-strategic industries because they are a target of populist governments seeking to regain control over critical sectors such as energy and technology⁷¹. On the other hand, companies with strong backing from their home country or those with systems

⁶³ Mudde, C. (2007). *Populist radical right parties in Europe*. Cambridge University Press.

⁶⁴ Carreras, M., Irepoglu Carreras, Y., & Bowler, S. (2019). Long-term economic distress, cultural backlash, and support for Brexit. *Comparative Political Studies*, 52(9), 1396-1424.

⁶⁵ Sallai, D., & Schnyder, G. (2021). What is “authoritarian” about authoritarian capitalism? The dual erosion of the private–public divide in state-dominated business systems. *Business & Society*, 60(6), 1312-1348.

⁶⁶ Carballo Perez, A., & Corina, M. (2024). Foreign direct investment in the context of rising populism: The role of institutions and firm-level internationalization. *Global Strategy Journal*, 14(1), 84-115.

⁶⁷ Sallai, D., Schnyder, G., Kinderman, D., & Nölke, A. (2024). The antecedents of MNC political risk and uncertainty under right-wing populist governments. *Journal of International Business Policy*, 7(1), 41-63.

⁶⁸ Funke, M., Schularick, M., & Trebesch, C. (2023). Populist leaders and the economy. *American Economic Review*, 113(12), 3249-3288.

⁶⁹ Magyar, B. (2016). *Post-communist mafia state: The case of Hungary*.

⁷⁰ Alcaraz, J., Martinez-Suarez, J., & Montoya, M. A. (2024). Effect of populism on the internationalization of emerging market firms. *European Business Review*, 36(1), 12-31.

⁷¹ Juhász, R., Lane, N., Oehlsen, E., & Pérez, V. C. (2022). The who, what, when, and how of industrial policy: A text-based approach. *What, When, and How of Industrial Policy: A Text-Based Approach* (November 20, 2022).

intricately linked to their host country tend to be more robust⁷². However, even these firms might postpone their investments until the policy risk diminishes, as was observed in the aftermath of the Brexit and Trump presidential trade policies⁷³⁷⁴.

By labeling FDI restrictions as meant to safeguard the national interest, populist regimes dampen growth and invention. Löfflmann (2019)⁷⁵, through the study of Trump's "America First" policy and European populist movements, suggests that protectionist measures such as tariffs, local content requirements, and subsidies for domestic champions lead to market distortion without creating lasting economic value. For instance, although Poland continued to receive FDI due to prior experiences⁷⁶, Hungary opted for nationalist policies that resulted in capital flight and a decrease in FDI⁷⁷. One main concern about populist FDI policies is that they rely on short-term protective measures instead of structural reforms. Alesina et al. (2024)⁷⁸ unveil that populism negatively impacts productivity and long-run competitiveness by avoiding liberalization due to the fear of a backlash ahead of elections. This is in line with the evidence that while FDI restrictions in certain sectors (for example, semiconductors under the new US CHIPS act) may bring short-lived benefits, they do not resolve fundamental underlying inefficiencies⁷⁹.

⁷² Carballo Perez, A., & Corina, M. (2024). Foreign direct investment in the context of rising populism: The role of institutions and firm-level internationalization. *Global Strategy Journal*, 14(1), 84-115.

⁷³ Dhingra, S., Huang, H., Ottaviano, G., Paulo Pessoa, J., Sampson, T., & Van Reenen, J. (2017). The costs and benefits of leaving the EU: trade effects. *Economic Policy*, 32(92), 651-705.

⁷⁴ Bloom, N., Bunn, P., Chen, S., Mizen, P., Smietanka, P., & Thwaites, G. (2019). The impact of Brexit on UK firms (No. w26218). *National Bureau of Economic Research*.

⁷⁵ Löfflmann, G. (2019). America first and the populist impact on US foreign policy. *Survival*, 61

⁷⁶ Guriev, S., & Papaioannou, E. (2022). The political economy of populism. *Journal of Economic Literature*, 60(3), 753-832.

⁷⁷ Brzeziński, M., & Najsztub, M. (2017). The impact of. *Polityka Społeczna*, 13(1 (ang)), 16-25.

⁷⁸ Alesina, A., Ciminelli, G., Furceri, D., & Saponaro, G. (2024). Austerity and elections. *Economica*, 91(363), 1075-1099

⁷⁹ Rodrik, D. (2021). Why does globalization fuel populism? Economics, culture, and the rise of right-wing populism. *Annual Review of Economics*, 13(1), 133-170.

2.2.2. Populism and Internalization

Internationalization, which can be described as expanding company operations beyond domestic borders, is a useful and important activity in many cases. It has been posited that the level of internationalization can be correlated with, or even positively affect, the performance of the firms. For example, Daniels & Bracker (1989)⁸⁰, Grant (1987)⁸¹, and Haar (1989)⁸² maintain that it becomes possible for firms to realize high-risk return opportunities in foreign markets and thus enhance their performance. Other benefits of MNCs are also as argued by Castellani & Zanfei (2007)⁸³, Goerzen & Beamish (2003)⁸⁴, and Song et al. (2015)⁸⁵ that consist between the economies of scale and scope which enable the firms to employ resources efficiently in different markets and distributing risks too. In the same context, exploiting the strategic location also allows firms to tap more markets, which can be made more achievable through globalization, granting the firms a competitive edge over localized firms.

However, some studies brought out the challenges accompanying the internationalization process. According to Rajan et al. (2000)⁸⁶ and Scharfstein & Stein (2000)⁸⁷, MNCs face issues in foreign markets, implying that multinationals may experience double political volatility. They face macro environmental risks in their home country and political risks in all the host countries where

⁸⁰ Daniels, J. D., & Bracker, J. (1989). Profit performance: Do foreign operations make a difference? *Management International Review*, 29(1), 46-56.

⁸¹ Grant, R. M. (1987). Multinationality and performance among British manufacturing companies. *Journal of International Business Studies*, 18(3), 79-89.

⁸² Haar, J. (1989). A comparative analysis of the profitability performance of the largest US, European and Japanese multinational enterprises. *Management International Review*, 29(1), 5-18.

⁸³ Castellani, D., & Zanfei, A. (2007). Internationalisation, innovation and productivity: How do firms differ in Italy? *World Economy*, 30(1), 156-176.

⁸⁴ Goerzen, A., & Beamish, P. W. (2003). Geographic scope and multinational enterprise performance. *Strategic Management Journal*, 24(13), 1289-1306.

⁸⁵ Song, S., Lee, S. H., & Makhija, M. (2015). Operational hedging in foreign direct investments under volatile and divergent exchange rates across countries. *Journal of World Business*, 50(3), 548-557.

⁸⁶ Rajan, R., Servaes, H., & Zingales, L. (2000). The cost of diversity: The diversification discount and inefficient investment. *The Journal of Finance*, 55(1), 35-80.

⁸⁷ Scharfstein, D. S., & Stein, J. C. (2000). The dark side of internal capital markets: Divisional rent-seeking and inefficient investment. *The Journal of Finance*, 55(6), 2537-2564. <https://doi.org/10.1111/0022-1082.00299>

they operate. Their international business is also subject to currency risk, fluctuations in exchange rates, and language or cultural differences such as social and business etiquette⁸⁸⁸⁹⁹⁰. These complexities add to the operation risks of MNCs since they have to work under multiple and even contradictory regulations.

Populism is one of the main factors that shape the domestic institutional structures of firms, affecting internationalization most significantly. Three primary ways through which populism has been conceptualized are the political-strategic approach, the sociocultural approach, and the ideational approach, as suggested by Ostiguy et al. (2017)⁹¹. Analyzing populism in terms of an ideational concept that frames it as a thin philosophy characterized by a struggle between the 'people' and the 'elite' helps to explain how populist governments transform institutions. Hawkins (2009)⁹² notes that one of the indicators of populist leadership is deinstitutionalization, whereby structures, rules, norms, and regulations are dismantled, and political stability structures and accountability are weakened, a situation deemed to impact international firms' stability negatively. Blake et al. (2024)⁹³ extended the argument to the erosion of democratic institutions and traditional rules of the game. It deepens political uncertainty that adds to international firms' strategic decision-making complexity.

⁸⁸ Chang, S., Kogut, B., & Yang, J. S. (2016). Global diversification discount and its discontents: A bit of self-selection makes a world of difference. *Strategic Management Journal*, 37(11), 2254-2274.

⁸⁹ Meyer, K. E., Mudambi, R., & Narula, R. (2011). Multinational enterprises and local contexts: The opportunities and challenges of multiple embeddedness. *Journal of Management Studies*, 48(2), 235-252.

⁹⁰ Miller, K. D., & Reuer, J. J. (1998). Firm strategy and economic exposure to foreign exchange rate movements. *Journal of International Business Studies*, 29(3), 493-513.

⁹¹ Ostiguy, P., Kaltwasser, C. R., Taggart, P., & Espejo, P. (2017). A socio-cultural approach. *The Oxford handbook of populism*, 73-97.

⁹² Hawkins, K. A. (2009). *Is Chávez populist? Measuring populist discourse in comparative perspective*. *Comparative Political Studies*, 42(8), 1040-1067.

⁹³ Blake, D. J., Markus, S., & Martinez-Suarez, J. (2024). Populist syndrome and nonmarket strategy. *Journal of Management Studies*, 61(2), 525-560.

According to Peng et al. (2008)⁹⁴, the institutional theory holds that the established formal institutions in a given, which are comprised of laws, rules, and structures of gov, enhance form a bundle influence for firm internationalization. The external environment, commonly known as the macro-environment, plays a significant role in international expansion, especially concerning the political stability and existing policies of a country influence the operation of the firm. Cuervo-Cazurra (2008)⁹⁵ notes that firms in emerging markets are highly prone to institutional weaknesses, which include corruption, inefficient regulatory systems, and political instability. The following factors force firms to look for internationalization opportunities as a survival strategy to overcome institutional risks in the home country. Similarly, Luo and Wang noted that firms from China have been driven to internationalization due to institutional forces like regulatory or bureaucratic constraints. Likewise, Aguilera et al. (2017)⁹⁶ assert that protectionism and high restrictiveness of tariffs in Latin America, for example, may trigger the internationalization of firms to avoid regulations.

Populist governments tend to use trade protectionism as an element in their political platform, affecting the strategies of international firms. Van der Waal & de Koster (2018)⁹⁷ claim that Central and Eastern Europe and Latin America's protectionist measures include tariffs, import quotas, and state aid to domestic industries. Edwards (2019)⁹⁸ noted that such policies stem from the ambition to decrease the reliance on foreign products and safeguard domestic employment, all

⁹⁴ Peng, M. W., Wang, D. Y., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies*, 39(6), 920-936.

⁹⁵ Cuervo-Cazurra, A., & Genc, M. (2008). Transforming disadvantages into advantages: Developing-country MNEs in the least developed countries. *Journal of International Business Studies*, 39, 957-979.

⁹⁶ Aguilera, R. V., Ciravegna, L., Cuervo-Cazurra, A., & Gonzalez-Perez, M. A. (2017). Multilatinas and the internationalization of Latin American firms. *Journal of World Business*, 52(4), 447-460.

⁹⁷ Van der Waal, J., & De Koster, W. (2018). *Populism and support for protectionism: The relevance of opposition to trade openness for leftist and rightist populist voting in The Netherlands*. *Political Studies*, 66(3), 560-576.

⁹⁸ Edwards, S. (2019). On Latin American populism, and its echoes around the world. *Journal of Economic Perspectives*, 33(4), 76-99.

of which, as noted above, negatively affect international business. The rise of populist administrations' protectionism worsens political and economic risks, which drives firms to adapt their internationalization strategies and seek more stable and better environments abroad. For instance, changes within Donald Trump's administration of the North American Free Trade Agreement, NAFTA, introduced new trade barriers, which increased the international business costs and risks for firms operating in the US, Canada, and Mexico⁹⁹.

Populism results in institutional degradation, that is, erosion of bold structures accompanied by a decrease in regulations, which also adds to the uncertainty that international firms experience. According to Carballo Perez & Corina (2023),¹⁰⁰ populist sentiments and actions create instability in the institutional environment within which firms operate by eroding the formal rules of business that govern them. This leads to high transaction costs as the market conditions become unpredictable regarding business operations. Therefore, populist policies, as in Bolivia under Morales and nationalizations through anticorporate measures in Ecuador under Correa, may make investors understand that table and long-term contracts of the future are no longer adhered to, eventually making them relocate their operations to another country¹⁰¹¹⁰². Likewise, by canceling the Mexico City airport, the political leader Andres Manuel also sent a signal regarding the non-recognition of the commitments made by the previous government to international

⁹⁹ Lester, S., & Manak, I. (2018). The rise of populist nationalism and the renegotiation of NAFTA. *Journal of International Economic Law*, 21(1), 151-169.

¹⁰⁰ Carballo Perez, A., & Corina, M. (2024). Foreign direct investment in the context of rising populism: The role of institutions and firm-level internationalization. *Global Strategy Journal*, 14(1), 84-115.

¹⁰¹ Wolff, J. (2016). *Business power and the politics of postneoliberalism: Relations between governments and economic elites in Bolivia and Ecuador*. *Latin American Politics and Society*, 58(2), 124-147.

¹⁰² Goeury, H. (2021). Rafael Correa's decade in power (2007–2017): Citizens' revolution, Sumak Kawsay, and Neo-Extractivism in Ecuador. *Latin American Perspectives*, 48(3), 206-226.

businesses, thus encouraging internationalization since they are seeking some stability in regions not controlled by populists¹⁰³.

Populist rhetoric, particularly when delivered by politicians, significantly influences the internationalization plans of enterprises. Since populist leaders are known to disrupt the conventional bureaucratic order, their rhetoric brings an element of unpredictability that affects the firms' decision-making on internationalization. Grzymala-Busse & McFaul (2020)¹⁰⁴ assert that populist leaders who come to power in different countries – such as those in Latin America mainly – are elected through acclamation and hold big mandates from the people to effect radical policy changes. Such a stand, which can be anti-globalization and protectionist, makes international businesses wary of the future of trade and current agreements. For instance, President Donald Trump's promises and policies, especially on international trade issues, where he sought to renegotiate NAFTA, served as a pointer to businesses that set trade policies that could be reversed at will¹⁰⁵. This volatility fosters firms to venture into internationalization that minimizes the threats posed by an unpredictable domestic environment.

2.2.3. Populism and Foreign Direct Investment

The relationship between populism and FDI is a subject of significant discussion in international business, as political instability increases when populist governments are in power. According to Bernanke (1983)¹⁰⁶ and Wernerfelt & Karnani (1987)¹⁰⁷, political risk is difficult to diversify and can prevent firms from committing irreversible investments such as FDI due to real

¹⁰³ Panibratov, A., Herrera, R. A. S., Esquerdo, A. C., & Klishevich, D. (2023). Surviving populism: A corporate political activity approach in Mexico. *Journal of International Business Policy*, 6(2), 182-200.

¹⁰⁴ Grzymala-Busse, A., & McFaul, M. (2020). "Votes for Populists" Database. Global Populisms Project, Stanford University, available at <https://fsi.stanford.edu/global-populisms/content/vote-populists>.

¹⁰⁵ Lester, S., & Manak, I. (2018). The rise of populist nationalism and the renegotiation of NAFTA. *Journal of International Economic Law*, 21(1), 151-169.

¹⁰⁶ Bernanke, B. S. (1983). Irreversibility, uncertainty, and cyclical investment.

¹⁰⁷ Wernerfelt, B., & Karnani, A. (1987). Competitive strategy under uncertainty. *Strategic Management Journal*, 8(2), 187-194.

options considerations. In the presence of any form of political uncertainty, the risk of delayed investment decisions increases as firms wait for more information to be available, and this becomes a bigger issue when the government is populist.

Some previous research provides evidence that political risk, including that created by populism, is undesirable for MNCs and deters them from investing worldwide. As stated by Amore & Corina (2021)¹⁰⁸ and Azzimonti (2019)¹⁰⁹, instances such as elections or political instabilities are bound to affect FDI since firms cannot hedge the risks arising from such incidents. Because populism entails potentially drastic changes to the existing institutional environment, assuming it will only contribute to increasing firms' risk aversion in their investment actions is plausible. Thus, the concept of an investor's optimal level of information is proposed as a theory that firms are best off waiting as long as they can to gather more information, especially in the case of a populist government taking power (Liu & Li, 2020)¹¹⁰. The literature also argues that three fundamental explanations can explain such extreme caution. First, it should be mentioned that the government's actions influence business activities, especially decisions about the location of the business operations¹¹¹. Populist governments may act in a way that destabilizes institutional arrangements, which, in turn, increases the level of risk within the business environment. This diminishes the ability of firms to estimate the returns they are likely to realize from their investments or the risk they will have to bear if they invest in a host country under populist leadership.

¹⁰⁸ Amore, M. D., & Corina, M. (2021). Political elections and corporate investment: International evidence. *Journal of International Business Studies*, 52(9), 1775-1796.

¹⁰⁹ Azzimonti, M. (2019). Does partisan conflict deter FDI inflows to the US? *Journal of International Economics*, 120, 162-178.

¹¹⁰ Liu, C., & Li, D. (2020). Divestment response to host-country terrorist attacks: Inter-firm influence and the role of temporal consistency. *Journal of International Business Studies*, 51(8), 1331-1346.

¹¹¹ Mudambi, R. (2018). Knowledge-intensive intangibles, spatial transaction costs, and the rise of populism. *Journal of International Business Policy*, 1(1), 44-52.

Secondly, scholars think populism creates a decline in the quality of the business environment because of the societal polarization and embracement of extreme political stances. According to the study done by Devinney et al. (2023)¹¹², sociopolitical risk has emerged as a major concern in international business, and this risk is worse in populist regimes. As these governments use polarizing language in their political discourses, MNCs may change their business plans or avoid polarized areas where the sustainability of the business environment is uncertain.

Third, populist policies may impact consumer demand, wages, and supplies, impacting the profitability of international firms' business investments. According to Amiti et al. (2019)¹¹³, Dhingra et al. (2017)¹¹⁴, and Fajgelbaum et al. (2020)¹¹⁵, unpredictable conditions fostered by populist governments make the occurrence of uncertainties affect the expected returns of investments and, therefore, harm firms. This, in turn, encourages MNCs to postpone their investment plans because it is impossible for them to determine the conditions that will influence their future returns. Additionally, this forces other firms to internationalize to other countries.

In the past literature, many scholars have pointed out political factors' significant impact on national and international investment processes¹¹⁶¹¹⁷¹¹⁸. However, populism is a different risk

¹¹² Devinney, T. M., Hartwell, C. A., Oetzel, J., & Vaaler, P. (2023). Managing, theorizing, and policymaking in an age of sociopolitical uncertainty: Introduction to the special issue. *Journal of International Business Policy*, 6(2), 133.

¹¹³ Amiti, M., Redding, S. J., & Weinstein, D. E. (2019). The impact of the 2018 tariffs on prices and welfare. *Journal of Economic Perspectives*, 33(4), 187-210.

¹¹⁴ Dhingra, S., Huang, H., Ottaviano, G., Paulo Pessoa, J., Sampson, T., & Van Reenen, J. (2017). The costs and benefits of leaving the EU: Trade effects. *Economic Policy*, 32(92), 651-705.

¹¹⁵ Fajgelbaum, P. D., Goldberg, P. K., Kennedy, P. J., & Khandelwal, A. K. (2020). The return to protectionism. *The Quarterly Journal of Economics*, 135(1), 1-55.

¹¹⁶ Carroll, G. R., Delacroix, J., & Goodstein, J. (1988). The political environments of organizations—An ecological view. *Research in Organizational Behavior*, 10, 359-392.

¹¹⁷ Filippaios, F., Annan-Diab, F., Hermidas, A., & Theodoraki, C. (2019). Political governance, civil liberties, and human capital: Evaluating their effect on foreign direct investment in emerging and developing economies. *Journal of International Business Studies*, 50(7), 1103-1129.

¹¹⁸ Henisz, W. J. (2000). The institutional environment for multinational investment. *Journal of Law, Economics, and Organization*, 16(2), 334-364.

because it threatens the proper functioning of institutions and policies. Mazzuca (2013)¹¹⁹ also emphasizes that a populist approach towards the elite and institutions increases uncertainty since such governments are likely to implement unpredictable reforms. As Ádám (2019)¹²⁰, Bos et al. (2020)¹²¹, and Comaroff (2011)¹²² also noted, populists can garner support for nationalist policies such as nationalization or expropriation, which greatly increases the risk for foreign investors. Moreover, the literature also acknowledges that politico-legal risks explain that due to populism, MNCs cannot predict potential political risks that may affect their investments, as supported by Sniazhko (2019)¹²³. The unpredictability of the policy and the possibility of sudden shifts in the institutional landscape make the investment environment highly risky for foreign investors, making them more selective regarding FDI.

CHAPTER THREE

3.0. Methodology

3.1. Introduction

This chapter of the research discusses the methodology used to collect data to address the research aims, which is accomplished using the following sub-sections: research philosophy, design, approach, unit of analysis, target population, sampling, data collection and analysis, and ethical considerations.

¹¹⁹ Mazzuca, S. L. (2013). Lessons from Latin America: The rise of rentier populism. *Journal of Democracy*, 24(2), 108-122.

¹²⁰ Ádám, Z. (2019). Explaining Orbán: A political transaction cost theory of authoritarian populism. *Problems of Post-Communism*, 66(6), 385-401.

¹²¹ Bos, L., Schemer, C., Corbu, N., Hameleers, M., Andreadis, I., Schulz, A., ... & Fawzi, N. (2020). The effects of populism as a social identity frame on persuasion and mobilisation: Evidence from a 15-country experiment. *European Journal of Political Research*, 59(1), 3-24.

¹²² Comroff, J. (2011). Populism and late liberalism: A special affinity? *The Annals of the American Academy of Political and Social Science*, 637(1), 99-111.

¹²³ Sniazhko, S. (2019). Uncertainty in decision-making: A review of the international business literature. *Cogent Business & Management*, 6(1), 1650692.

3.2. Research Philosophy

The underlying theoretical or philosophical framework which guides the research philosophy is referred to as a research paradigm. In educational research, the term indicates a researcher's "worldview," the researchers' perspective, how they think, or a group of shared beliefs that help form how the researcher interprets research data¹²⁴. Similarly, Willis (2007)¹²⁵ defines a research paradigm as a comprehensive belief system, worldview, or framework guiding research and practice. It can be defined that the entire research process is steered by the researcher's beliefs and views regarding the issues being investigated. This worldview shapes all of these parameters, from how to choose a research problem and research questions to the nature of reality to be researched, the type of knowledge looked for, the research methodology, and the research value.

Lincoln & Guba (1985)¹²⁶ suggested that a research paradigm includes four key areas: epistemology, ontology, methodology, and axiology. Ontology concerns the nature of reality, while epistemology concerns the nature of knowledge and the relationship between the researcher and the thing to be known. On the other hand, methodology refers to how the research questions are systematically explored, while axiology is about the ethical aspects of the research process¹²⁷.

Various epistemological stances can guide research, which includes positivism, interpretivism, critical theory, and pragmatism¹²⁸. In this research, the interpretivist philosophical stance was selected. Interpretivism focuses on understanding how real individuals make sense of their experiences and actions. The reason why this approach is selected is that it can show how

¹²⁴ Mackenzie, N., & Knipe, S. (2006). Research dilemmas: Paradigms, methods and methodology. *Issues in Educational Research*, 16(2), 193-205.

¹²⁵ Willis, J. (2007). *Foundations of qualitative research: Interpretive and critical approaches*. Sage.

¹²⁶ Lincoln, Y., & Guba, E. (1985). *Naturalistic inquiry*. Sage.

¹²⁷ Mertens, D. M. (2010). *Transformative mixed methods research*. *Qualitative Inquiry*, 16(6), 469-474.

¹²⁸ Alele, F., & Malau-Aduli, B. (2023, February 22). 1.3 Research paradigms and philosophical assumptions. *Pressbooks*. Retrieved March 28, 2025, from <https://jcu.pressbooks.pub/intro-res-methods-health/chapter/1-3-research-paradigms-and-philosophical-assumptions/>

international companies look at and react to populism and how they interpret the political and economic impact of populism on their strategies for internationalization. Instead of trying to generalize or quantify these perceptions, the study aims to explore how participants perceive and make sense of populism's impact on their context.

3.3. Research Design

Kerlinger et al. (2000)¹²⁹ define research design as the plan, structure, and strategy of research perceived to obtain answers to the research questions defined while controlling variance. Based on this definition, it can be understood that it is a conceptual framework that researchers rely on to conduct research. Therefore, it offers them insights about "how" to carry out research deploying a given methodology. The plan preposition in the authors' definition helps develop the research direction and define what needs to be accomplished and how and when it must be accomplished at every phase. Khanday & Khanam (2019)¹³⁰ argues that there are two broad classifications of research design: quantitative and qualitative research design. The first is implemented in scenarios where the correlation between the gathered data and observations is developed based on mathematical calculations. On the other hand, the second research design is implemented in scenarios where the researchers must establish statistical conclusions to gather actionable insights. These research designs can further be divided into six subclasses: descriptive, experimental, correlational, diagnostic, exploratory, and explanatory research design.

Qualitative research design is ideal for this research as it is aimed at comprehending subjective experiences and interpretations of individuals instead of collecting numerical data. The subclass of research design that applies in this research is the exploratory research design.

¹²⁹ Kerlinger, F. N., Lee, H. B., & Bhanthumnavin, D. (2000). Foundations of behavioral research: The most sustainable popular textbook by Kerlinger & Lee (2000). *Journal of Social Development*, 13(2), 131-144.

¹³⁰ Khanday, S. A., & Khanam, D. (2019). The research design. *Journal of Critical Reviews*, 6(3), 367-376.

Exploratory design applies in this research because it aims to gather new insights into how populism influences international businesses and how it influences the development of populism in the digital era, which appears to be an underexplored area.

3.4. Research Approach

Amaratunga et al. (2002)¹³¹ argue that there are three research approaches: qualitative, quantitative, and mixed methods. The difference between the first two is framed based on using words (qualitative) instead of numeric (quantitative) or deploying close-ended queries (quantitative postulations) instead of open-ended queries (qualitative interview queries). Mixed-method involves gathering qualitative and quantitative data, incorporating and deploying different designs that may entail philosophical postulations and theoretical frameworks. This research aims to deploy a qualitative research approach. The main rationale for this is that it aimed to collect non-numeric data.

3.5. Unit of Analysis

Sedgwick (2014)¹³² argues that a unit of analysis is an object of research within a research project. The author argues that it is the small unit researchers can deploy to define and describe a given phenomenon, which is "what" or "who" the researchers want to research. International firms operating in that country are chosen as the object of a deep analysis because they are the ones that experience trade restrictions by a populist government. Thus, the nature of this research means that the unit of analysis of this research is the international firms under analysis. Therefore, they act as the object of the research.

¹³¹ Amaratunga, D., Baldry, D., Sarshar, M., & Newton, R. (2002). Quantitative and qualitative research in the built environment: Application of "mixed" research approach. *Work Study*, 51(1), 17-31.

¹³² Sedgwick, P. (2014). Unit of observation versus unit of analysis. *BMJ*, 348, g2451.

3.6. Target Population

According to Kothari (2004) and Creswell (2014), the validity of research entails accurately identifying such groups. In this regard, the term population, in research, is often defined as a complete set of people, objects, things, or entities that are known or intended to be studied in a given context and out of which the researcher wishes to make a sampling. Martínez-Mesa et al. (2016)¹³³ point out that the broader population offers a general framework for understanding something from the demographic, institutional, or social environment perspective. However, expanding the definition to match certain research goals is important. Alvi (2016)¹³⁴ proposes narrowing it to a target population, which the author defines as a sample derived from the total set by a certain larger group. This makes it possible for the target community, be it the recipients of a given service or those directly involved in a phenomenon under investigation, to be involved in the research process. Willie (2022)¹³⁵ further explains that distinguishing such population types strengthens the study's internal validity and makes the findings more generalizable to real-life situations. The target population for this investigation is international firms' employees. The main rationale for their selection in this investigation is that they are involved in strategic decision-making and can evaluate both the influence of populist government actions on their firms and their potential effect on populist dynamics.

3.7. Sampling

A sample is defined as a sample of a population. On the other hand, the sampling Unit is the sample's single member. Sampling is a process of selecting a sufficient number of elements

¹³³ Martínez-Mesa, J., González-Chica, D. A., Duquia, R. P., Bonamigo, R. R., & Bastos, J. L. (2016). Sampling: How to select participants in my research study?. *Anais Brasileiros de Dermatologia*, 91(3), 326-330.

¹³⁴ Alvi, M. (2016). *A manual for selecting sampling techniques in research*.

¹³⁵ Willie, M. M. (2022). Differentiating between population and target population in research studies. *International Journal of Medical Science and Clinical Research Studies*, 2(6), 521-523.

from a certain population to allow the research of the sample to aid in comprehending the features of the entire population and allow results generalization¹³⁶. The sample of this investigation is international firms' employees. Purpose sampling was the sampling method used to select these samples. The main rationale for its selection is to define study participants best suited to help address the study's research aims.

3.8. Data Collection and Data Analysis

Taherdoost (2021)¹³⁷ argues that data collection is gathering data to gain insights or answers to the research questions. For the sake of this research, the main data collection tool used to collect data is in-depth interviews, which are personal and unstructured. Their main aim was to identify the international firms' employees' emotions, sentiments, and opinions concerning the research topic of this investigation. The main rationale for its selection is that it allows the researchers who act as the interviewees to maintain personal and direct contact with the study participants (interviewees). This eliminates the limitation of non-response. Another main reason for its selection is that it provides flexibility regarding the interview flow, thus leaving room for generating conclusions that could not be obtained regarding the subject matter under research. The interview questions were prepared before the interview date, providing room to guide the interview process toward the gratification of the research aim. However, additional interview questions were developed during the interviews. The sample interview questions of the interview are presented in Appendix 1. Thematic analysis was used to analyze the interview responses.

¹³⁶ Etikan, I., & Bala, K. (2017). Sampling and sampling methods. *Biometrics & Biostatistics International Journal*, 5(6), 00149.

¹³⁷ Taherdoost, H. (2021). Data collection methods and tools for research; a step-by-step guide to choose data collection technique for academic and business research projects. *International Journal of Academic Research in Management (IJARM)*, 10(1), 10-38.

3.9. Ethical Considerations

When interviewing the current employees of international firms during this research study, several ethical considerations were given while researching to maintain the overall research integrity and protect the rights of the participants. Before carrying out the interviews, written consent was sought from all individuals who participated in the study. All the employee participants were informed of the purposes of the study, the interview process, and how their responses would be utilized in the study. It was explained to them that it was completely optional for them to participate in the study, and they were informed that they had the right to quit the study at any time with no repercussions. Each participant was provided with a written informed consent for the study and agreed to observe the terms and conditions. Measures were taken during the study to ensure the information collected would remain confidential. Respect for participants' rights and their privacy was upheld by maintaining the identity of all the participants, where all the information that was collected was stored securely in a password-protected computer so that it was not possible to identify any of the patients from the information that was presented in the final report. All recordings and notes of the interviews were kept safely on the computer, and all the data was disposed of after the study as per ethical data protection standards.

Another important factor that was considered is transparency. I ensured the participants were informed about the research, including the methodology, any possible conflict of interest, and how the data would be analyzed and reported to other people. For the entire period of my research, loyalty to the concept of the truth was maintained, and there was no manipulation of the data set or the research results. Every precaution had been taken to ensure that the participants did not endure any discomfort or harm during the interviews, and the questions were designed so that no sensitive questions were asked that might prove intolerable to the participants. An appreciation

interview followed to thank them for their participation and to answer any questions they might have had about the study, as well as more about them individually.

CHAPTER FOUR

4.0. Results and Findings

4.1. Introduction

This research section aims to present the main findings and results based on the collected data. They are based on unstructured interviews with many study participants: CEO, president or company owners (3), and logistic employees.

4.2. Presentation of the Unstructured Interview Data

4.2.1. Background Information on the Firm and Interviewee

Question 1: *Could you briefly introduce yourself and your role within the company?*

The initial questions aimed to understand the background and perspective of the interviewee, particularly the position they hold in the international firm and the scope of their responsibilities.

a) Responses from the Participants

In response to this question, three out of five participants hold the position of president and core owner of the international firms (Solveco Group, Poland; Interviewee E, Euro-Mix Bis Sp. z o.o.; Interviewee B, and Tecnomedia Sp. z o.o.; Interviewee D), company CEO and founder (Royal Watch, based in Kraków, Poland; Interviewee A) and logistic employee (Logistics specialist, Chiquita Europe B.V.; Interviewee C)

Question 2: *Can you provide some background on your firm's international presence?*

This question explores the company's global business operations and its international presence or status to get an overview of the context in which populist movements and policies influence them.

a) Responses from the Participants

Royal Watch is a retailer of luxury watches based in Krakow, Poland, selling and servicing luxury watches. It also operates restaurant businesses, including Sushi Royal and Royal Ramen. This company's international presence is maintained through e-commerce through online platforms, particularly Chrono24, a global marketplace for luxury watches. *While our main showroom is located in Kraków, we serve clients worldwide through online platforms, particularly Chrono24,* Consumers purchasing watches are from Western Europe, the United States, and Asia. Suppliers from Switzerland and other parts of Europe maintain the distribution of these watches.

Euro-Mix Bis Sp.z o.o is a Poland-based group focusing on international transport and logistics services. This company offers services such as road freight, storage, vehicle service, repair, and wholesale of various products. It has expanded to become a major logistics service provider company in Europe, primarily dealing with cross-border transport. Specializing in food services, automotive, and construction industries, the major focus in Group Euro-Mix Bis is Spain. Apart from Spain, the company is also in other European countries, including Italy, Germany, France, and the Netherlands. The company offers transportation, storage, distribution, and repair services that facilitate cross-border operations in the supply chain. The strategic internationalization strategy is conducted by offering logistics services to the target European markets, particularly agriculture and industrial goods, as these essentials require transportation. They have opened up outlets across different countries and still operate in a network of European countries needing timely cross-border supplies.

Chiquita Bananas is one of the world's top companies that avail bananas, with its operations touching over seventy countries. It is involved in producing fruits, especially bananas, and signifies

its strong international influence. Chiquita's global scale shows it is a multinational venture since it has branch offices in over 70 countries. The company has continued to grow its market as a global exporter, relying on the fact that it is one of the largest producers of bananas. On the contrary, Tecnomedia Sp. Z o.o. is a franchisor who has held a franchise for Tecnocasa in Poland. The company has the task of strengthening and building the network of Tecnocasa real estate franchise offices in the country. It plays a critical role in ensuring that all his franchise offices are professional and have good professional standards in offering real estate services for property sales, rentals, and financial consulting services. Tecnocasa is an international independent franchisee from Italy that is now spreading to many more European countries. In Poland, it covers the assistance of the franchise partners to provide real estate agencies services. The goal is to create a network of cooperating offices offering a high level of services to clients seeking services in buying, selling, or letting properties.

Solveco Group is a multinational company focusing on ecological services, recycling technologies, and waste disposal. The company's goal is to work towards a cleaner world through the continuous invention and application of efficient means of handling waste, recycling, and managing the environment. Solveco operates in several European countries, such as Germany, Spain, Albania, and Turkey. The company's primary concern is waste processing and management, especially hazardous wastes and industrial residues. Solveco is also associated with soda lye purification technology, which is used in manufacturing processes and cuts expenses significantly.

Question 3: What factors typically influence your firm's decisions to expand into or continue operating in a foreign market?

The main aim of this question is to explore the main factors that influence the internalization of international firms across different borders.

a) Responses from the Participants

Several common and industry-specific factors form the basis of the choices to venture into or operate in foreign markets. A vital force for all firms is the demand factor in the target market. For instance, Royal Watch identifies the potential of luxury watch culture in the target foreign markets. *"Some markets have a much stronger culture of watch collecting, which directly impacts our sales (interviewee A)."* On the other hand, Tecnomedia assesses the demand for real estate services in distinct urban areas of Poland, such as Kraków, Warsaw, and Wrocław. *"The demand for real estate services in a given market is crucial..... like Kraków, Warsaw, and Wrocław have strong demand for professional real estate brokerage."* Similarly, based on an analysis of the extent of demand arising out of logistics services, particularly in the Spanish and Italian markets, Group Euro-Mix Bis was created. Chiquita's growth is oriented toward the further consumption of fruit – bananas in particular. *"First, the demand for logistics services in a given market is essential—Spain and Italy, for example, have a high demand for goods transport..... (interviewee B)".* Solveco, on the other hand, seeks demand for industrial waste recycling, especially in relevant markets highly sensitive to environmentally sustainable solutions. *"Well, the primary factors include..... demand for industrial waste recycling..... (Interviewee E)".*

Another important factor that affects all the firms' internalization moves is the regulatory requirements or frameworks. An evaluation of these firms, such as Royal Watch, Group Euro-Mix Bis, and Tecnomedia, based on the interview responses, shows that these firms seek markets with liberal trade policies, low taxes, and a well-developed legal framework for the conduct of business. *"We also consider the ease of doing business, taxation policies, and trade regulations (Interviewee A)."* *"Second, we consider....., and regulatory stability (interviewee B)."* *"Second, regulatory stability is essential—we need clear legal frameworks..... (interviewee D)".* The other

factor Chiquita shares is that the regulatory environment is important, especially the import regulations, tariffs, and environmental standards that affect decision-making and how firms can address political risks. *"I think, apart from that, we can also mention import regulations..... (Interviewee c)." Infrastructures like the quality of roads, logistics centers, ports, and vehicles properly equipped with refrigerators used by companies are Group Euro-Mix Bis and Chiquita bananas values. "Second, we consider the quality of road infrastructure, fuel, and operational costs..... (Interviewee B). ".....the availability of distribution channels like ports, logistics centers, and refrigerated transport, as well as costs of labor, warehousing, logistics, marketing, and promotion (Interviewee C)".* These features assist in making international trade a reality or operating effectively across borders.

Politics and risk are other factors crucial for companies that work on an international level. For example, Solveco, Group Euro-Mix Bis, and Chiquita constantly oversee political risks about trade regulations, labor laws, and environmental regulations, together with an economic climate like interest rates and investment sentiment among investors. *We can also mention import regulations such as tariffs and taxes... (Interviewee C). "..... operations, such as road taxes, customs procedures, or work permit policies..... (Interviewee B). " We closely monitor government policies related to environmental regulations, (Interviewee E).*" Luxury goods such as the Royal Watch must be considered before the business can expand internationally. In operations such as in Group Euro-Mix Bis, it ensures that it complies with international customs and trade laws to sustain a smooth run in the international markets. Another factor is financing, for instance, from external sources such as the European Union for sustainable development, as evident with Solveco. *"Access to funding—such as European Union grants....."*

Question 4: *How does your firm assess political risks when entering or maintaining operations in a foreign country?*

The main aim of this question is to assess the international firms' strategies in assessing political risks especially populism movements risks before entering foreign markets and to maintain their business operations in these markets.

a) Participant Responses

Every company has developed a proactive approach toward the evaluation of political risks while entering or operating in another country. Royal Watch is concerned with political stability and changes monitoring especially those affecting import taxes, tariffs, and restrictions on parts and luxury products. The company is keen on monitoring trade regulations, toll fees, and environmental and labor policies, especially when shaped by populist regimes, in order to modify its logistics operations accordingly. Chiquita keeps track of trade policies and all environmental legislation changes for flexibility within the political realm, especially regarding importation, tariffs, and taxes. By monitoring the changes in the legislative laws on property taxation, rental, and condition of the mortgage, Tecnomedia ensures it adapts to the real estate market. Solveco monitors environmental laws and policies on waste and adapts to shifts caused by the populists or supportive sustainability policies.

4.2.2. Awareness and Perception of Populism

Question 1: *How aware is your firm of populist movements and politicians in both your home country and the foreign markets where you operate?*

This question aimed to explore the international firm's awareness and understanding of the existence of the populist movements and politicians and how they impact the company's operations both in host country and outside the country.

a) Participants Responses

The level of awareness regarding populist movements and how they may affect a company's operations in domestic and foreign markets differ significantly between firms. Group Euro-Mix Bis must maintain its awareness of political events in Poland and foreign markets such as Spain and Italy because these changes may impact the restrictions for foreign truck drivers, taxes on transportation, and other incentives for local businesses. *"..... Poland and the European countries where we operate. Populist movements often bring economic policies that impact transport, such as restrictions on foreign truck drivers, new taxation on transport companies, or incentives for local businesses to use domestic logistics providers."* Royal Watch has a moderate level of awareness. The company understands that even if populist movements do not directly affect their luxury retail business, protectionism and economic policies in Poland can hamper international commerce on their retail application. *"When such policies lead to protectionist measures, they can impact international trade, which indirectly affects us"*. Chiquita does not directly participate in political matters but observes general macro environment changes like trade barriers and regulations due to populism. *"..... We monitor the geopolitical and macroeconomic situation on an ongoing basis....."*. Solveco, on the other hand, seems to have a good understanding of the implications of populist movements in regard to the policies affecting the environment. Some of the populist governments have even adopted stricter policies but of benefit to firms such as Solveco through policies that support recycling business. In contrast, others disregard environmental issues that slow down sustainable activities. *"Some governments push for stricter regulations on hazardous waste management, which benefits companies like ours that specialize in advanced recycling solutions."* Tecnomedia Sp. z o.o. is only aware of the populist movement policies and their potential effects on the real estate sector, both in its home country of

Poland and in foreign markets. *"Very aware. Populist movements often introduce policies that can significantly affect the real estate sector."*

Question Two: *How closely does your company monitor government policies, particularly those influenced by populist leaders or parties?*

The main of this question is to assess the strategies employed by the companies to monitor government policies especially those influenced by populist leaders or parties.

a) Participants Responses

The companies interviewed have implemented measures of tracking government policies, especially those that populist leaders or populist parties might influence. Royal Watch is sensitive to regulatory changes that might affect the fundamentals of its operations in areas like taxation, international trade, and e-commerce. The company remains sensitive to any policy alterations that may hinder its use of other platforms, such as Chrono24, or affect its operations across the globe to apply changes by policy that may reduce its market exposure with the help of its workforce. Industry associations, legal advisers, and transport unions of Europe and beyond are followed by the Group Euro-Mix Bis. This is because their key interests are oriented toward monitoring freight transport, the legislation of cross-border drivers, and the taxation of roads in Europe. Chiquita develops its strategy of monitoring populist government policies through its legal department and industry institutions, such as the World Banana Forum, and reports from political risk analysis companies such as Economist Intelligence Unit and Fitch Solutions to address the information about trade policies, customs regulations, and other factors. *"We do this through several key mechanisms..... membership in industry organizations such as the World Banana Forum..... reports from firms like Economist Intelligence Unit and Fitch Solutions...."* It is seen that Tecnomedia depends on legal advisors and industry associations to follow changes in the

legislation, such as rent control laws, property tax laws, and mortgage laws. *“We work with legal advisors and industry associations.....”* On the other hand, Solveco monitors national and European policies of hazardous waste management, industrial emissions, and recycling legislation and policies and collaborates with agencies and legal advisers on shifts in environmental legislation. These companies make sure that they do not fall foul of the changing policies there, especially those policy initiatives championed by populists. *“We work with regulatory agencies, industry associations, and legal experts.....”*

Question Three: *Do you perceive populist policies as a threat, an opportunity, or both for your firm? Why?*

The main aim of this question is to assess whether the international firms view the populist policies is a threat or opportunity to these firms.

a) Participants Responses

Populist policies are viewed as a threat or an opportunity depending on the impact that each of the policies has on the firms. Policies such as protectionism may hinder Royal Watch since they prevent importation or raise prices. Still, possibilities may also be open if policies foster the growth of local economies and the consumption of luxury goods. Like its counterpart, Group Euro-Mix Bis is also vulnerable to disadvantageous public policies that affect it, such as those favoring local companies and increasing costs. Still, it has opportunities for investments in the improvement of road network conditions and traffic. Chiquita perceives populism as a danger for it in the frame of political shifts, including acts like embargoes. However, the company also understands that it can benefit from the policy changes if it can position itself accordingly. On the one hand, the company recognizes threats posed by populists’ measures like rent or property speculation control.

On the other hand, first-time homebuyer policies create prospects for Tecnomedia's growth. A company in the recycling and sustainability industry which is Solveco, upon analysis, the populist government focusing on environmental issues has huge opportunities because they can get rid of those illegal dump sites. However, policies that eliminate certain regulations or those that favor non-stricter policies on their environmental impacts will challenge its competitiveness. In the final analysis, all the firms see populist policies regarding their adaptability and flexibility in that their impacts depend on the measures applied in each market.

4.2.3. Impact of Populist Policies on International Firms

Question 1: *Has your firm been directly or indirectly affected by populist policies (e.g., trade restrictions, tax changes, labor laws, nationalistic rhetoric)? If so, in what ways?*

This question aimed to assess the direct and indirect impact of populist policies on international firms.

a) Participants Responses

For Royal Watch, specific populist processes such as restrictions in trade, high tariffs, and tax alterations can lead to every factor influencing the tenacious and depress the competitiveness, especially where there are high tariffs on products of luxury watches. Fluctuations in currency have negative effects due to political instabilities in the international markets, which affect the pricing of its products and profitability. All these make the business environment insignificant and more challenging to work within. On the other hand, the direct influence puts pressure on Group Euro-Mix Bis Sp. z o.o. Through new local wage laws that apply pressure on foreign transport companies. Brexit has also affected the customs processes, and environmental policies such as emission-based road tax have also increased operational costs. They involve an increase in expenses, then, which brings a challenge in cost containment.

In addition to this, Chiquita has been subject to populist policies in the past and the present as well. There were many conflicts with labor rights issues, specifically in the early 1990s in Latin America that greatly affected the company's image. In the recent past, there were challenges, such as trade restrictions with countries such as Belarus and Russia, making the challenges affecting its operations in some markets more complex in terms of its business model. Similarly, For Tecnomedia Sp. z o.o., political rhetoric that concerns property laws, including rent control and taxes on foreign property ownership, has remained rhetoric in the market. High taxes and regulation of property investments have led to low investors' confidence and slowed down real estate business, hence negatively impacting the company's expansion potentialities. However, the observed threats, such as increased waste disposal laws, especially those limiting the utilization of landfills, have been prospective for Solveco in offering recycling solutions. However, some forms of deregulation have merely led to demand for sustainability to decrease since firms can take advantage of weaker environmental regulations. These above findings reflect both the positive and negative effects of populist policies.

Question Two: *Have these policies influenced your firm's investment, expansion, or operational decisions? If yes, how?*

The main aim of this question is to assess the impact of populist policies on FDI, expansion, and business operations of international firms.

a) Participant Responses

Populist policies impact each firm's investment, expansion, and operation strategies. For instance, Royal Watch reduces its move to foreign markets where protectionism is prevalent since this results in trade barriers, higher costs, and, thus, lesser access to markets. These are some of the policies that have been put in place by populists and have forced the Group Euro-Mix Bis Sp.

Z o.o to adopt new ways of changing its operations and investment strategy. In response, it targets more stable and less restricted markets for its products. The company has adapted to this change by purchasing fuel-efficient trucks to meet higher global carbon emission standards and reinforcing relationships with local counterparts in Spain and Italy, regions where the regulatory environment remains stable. The Chiquita has been forced to re-evaluate its internalization strategy due to political turmoil and populist policies. These strategies included ceasing operations in places such as Belarus and Russia as a result of the war in Ukraine. Therefore, such disruption compelled the company to review its business models and pull out from the respective markets.

Government policies, which have fostered populism, create an unpredictable regulatory environment, influencing potential investors in Tecnomedia. In response, the company offers further assistance to the investors and training to maintain its strength despite political instabilities by modifying its business approaches. Solveco's internalization and expansion strategy depends especially on environmental regulation. The company is also cautious when targeting geographies with unstable regulations. Still, it leans towards those with stable long-term incentives in recycling and stable environment policies, as these create the right environment for the expansion of the operations.

Question Three: *Have you experienced any changes in the regulatory environment due to populist policies? If so, how has your firm adapted?*

The main aim of this question is to examine the ways in which the international firms has embraced to remain more adapted in the populist environment that is associated with increased regulatory changes.

a) Participant Responses

Royal Watch has experienced increased regulatory changes associated with e-commerce and tax reporting in some of the countries in which the company operates. In ensuring that the company is fully adapted to these changes, it ensures that it is in full compliance with all these changes, such as the VAT requirements and ensuring cross-border transactions transparency to the authorities for their luxury products effectively. The same is adopted by Solveco, where they ensure they closely monitor policy changes related to the environment and comply with them in realtime. However, the approach is different from Group Euro-Mix Bis Sp. z o.o. The company is aware of regulatory changes associated with populist governments. For it to remain adapted to these policies, it opts only to operate in regions such as Spain and Italy, where these changes are stable and predictable. The same is adopted by companies such as Chiquita, which abandoned any planned investments in countries that were affected by populist regulatory changes due to Russia-Ukraine war. Additionally, the Group Euro-Mix Bis Sp. z o.o company noted that it could not predict the changes in labor and environmental tax laws. In order to reduce its impact and stay ahead, it has embraced strategies such as diversification of its services offerings, such as warehousing, which has been crucial in protecting its profit margins. Tecnomedia Sp. z o.o. Adapts to the regulatory changes related to rent control or tax by updating its strategies in real time. This is maintained through collaboration with local stakeholders to ensure they remain informed of the current regulatory changes.

Question Four: *Have you faced any shifts in consumer sentiment or market conditions due to populist narratives?*

The main aim of this question is to examine whether the populist had an impact on the consumers' feelings about the company's goods and marketing conditions.

a) Participants Responses

The logistic employee responded to this question. According to the interviewee, Chiquita company suggests that populist movements rhetorics, especially those related to its citizens not buying goods from companies in countries that acted as proxies to the Russia-Ukraine war, led to a decrease in company sales by 90%. The same is evident in the real estate sector, where when populist rhetorics target foreign investors in these spaces, they discourage the consumers from purchasing or renting their properties. Additionally, populist movements that downplay the climate change concerns reduce the businesses and consumers to prioritize sustainable waste management, reducing the demand for recycling solutions offered by Solveco.

4.2.4. The Firm's Role in Political and Social Change

Question 1: *Some argue that international firms contribute to the rise of populism, especially when offshoring jobs or restructuring operations. Do you believe this is true? Why or why not?*

The main of this question is to examine whether the action of international companies offshoring job opportunities to other countries leads to a rise in populism.

a) Participants Responses

The CEO of Royal Watch company suggests that even though the company does not have a direct role in contributing to populism, he adds that international firms relying on manufacturing contribute to populist rhetoric when they move the jobs of the people in the host country to other countries. The company indirectly leads to populism by creating economic inequality due to its operations of selling luxury products, which may sometimes be viewed by populist politicians as a move that is widening the social and economic divides, especially in societies affected significantly by the issue of economic inequality.

Question Two: *Do you think international firms have a responsibility to engage with or counteract populist rhetoric that affects business and economic stability? If so, how?*

The main aim of this question is to determine the responsibility of international firms in counteracting populist rhetoric that is detrimental to business and economic stability.

a) Participants Responses

Interviewee A argues that international companies can achieve this by acting as an example in advocating free trade and fair regulations while not engaging in any political engagements. At the same time, they should develop education programs for consumers and collaborate with industry associations in the countries they move to influence policy development that aligns with the “people” sentiments.

CHAPTER FIVE

5.0. Discussion, Conclusion, and Recommendations

5.1. Introduction

This chapter of the chapter is to synthesize the findings in Chapter Four above, conceptualizes the research, and provide recommendations for future research, eventually showing the research’s significance and contribution in the area of populism and internalization.

5.2. Discussion

This study sought to examine the mutual interaction between international firms and populist politicians, on the one hand, how the populist politicians and their policies affect the internalization strategies of firms, and, on the other hand, how these firms help in the rise of populist sentiments that affect society. This research indicates that populist movement practices like protectionism in trade, reliance on nationalist measures, and changes in regulations or policies

can cause problems for international firms by elevating business costs, restricting market entry, and limiting foreign expansion to some areas. Organizations get aware of this and develop strategies to minimize the effect by pulling out from politically volatile nations or outsourcing business to politically stable countries. The study also shows that this same set of international firms' activities can inadvertently stimulate populist support through processes such as outsourcing, restructuring, or behaving in ways that may be perceived as enhancing the divide between the elites and the people. However, only a small number of these firms proactively take into consideration their broader social impact due to their involvement in contributing to the rise in populist movements or taking steps to mitigate populist backlash. Thus, the research findings contribute to the understanding of the interaction between global business and political populism.

Populism is on the rise in many countries, and it is associated with anti-globalization, nationalist attitudes, and distrust in international institutions¹³⁸. Populist leaders are a threat to the dominant economic establishment, and they implement policies that disturb the strategies of international firms¹³⁹. Concurrently, through their operations and decisions, these firms may help advance the political processes that breed populism through the outsourcing of jobs and operational stations to countries with more effective business climates.

The specific problem that can be derived from this is that populism has increased political risks for international companies. The fact that populist governments harm the internationalization processes is evidenced by trade restrictions such as tariffs, trade barriers, and regulations that look to benefit home country companies¹⁴⁰. At the same time, offshoring or outsourcing decisions taken

¹³⁸ Vaaler, P., Hartwell, C., James, B., Lindner, T., & Müllner, J. (2024). *Populist politics and international business policy: Problems, practices, and prescriptions for MNEs*. *Journal of International Business Studies*, 55(1), 1-21.

¹³⁹ Boucher, J. C., & Thies, C. G. (2019). "I am a tariff man": The power of populist foreign policy rhetoric under President Trump. *The Journal of Politics*, 81(2), 712-722.

¹⁴⁰ Alcaraz, J., Martinez-Suarez, J., & Montoya, M. A. (2024). Effect of populism on the internationalization of emerging market firms. *European Business Review*, 36(1), 12-31.

by international firms that decide to shift their operations or jobs to other countries can help the increase of populist movements due to economic destabilization caused by the loss of local jobs¹⁴¹. This problem poses challenges to international firms, especially in navigating the rising uncertainties of business climates in populism-influenced areas. Political instability significantly slows down operations, raises costs, and creates difficulties in these firms' global market penetration¹⁴².

The findings of this research provide insights into the internalization decisions of international companies, which are in line with and complement the existing literature. The study participants demonstrated demand in the target markets as strong central drivers for international expansion, supporting the views of Daniels & Bracker (1989)¹⁴³ and Grant (1987)¹⁴⁴ that firms internationalize to exploit attractive foreign market opportunities with high returns. Firms also acknowledged that demand from consumers was important to how they decided where to expand across industries—from luxury goods to logistics and recycling. This points to the idea that market-seeking rationales are a foundational rationale for international expansion strategy for companies. Firms also considered regulatory environments heavily—including countries with more liberal trade frameworks, stable regulation, and predictable governance. As pointed out by Castellani & Zanfei (2007)¹⁴⁵ and by Song et al. (2015)¹⁴⁶, institutional and policy environments are important

¹⁴¹ Boucher, J. C., & Thies, C. G. (2019). "I am a tariff man": The power of populist foreign policy rhetoric under President Trump. *The Journal of Politics*, 81(2), 712-722.

¹⁴² Kleinfeld, R. (2024). *How does business fare under populism?*

¹⁴³ Daniels, J. D., & Bracker, J. (1989). Profit performance: Do foreign operations make a difference? *Management International Review*, 29(1), 46-56.

¹⁴⁴ Grant, R. M. (1987). Multinationality and performance among British manufacturing companies. *Journal of International Business Studies*, 18(3), 79-89.

¹⁴⁵ Castellani, D., & Zanfei, A. (2007). Internationalisation, innovation and productivity: How do firms differ in Italy? *World Economy*, 30(1), 156-176.

¹⁴⁶ Song, S., Lee, S. H., & Makhija, M. (2015). Operational hedging in foreign direct investments under volatile and divergent exchange rates across countries. *Journal of World Business*, 50(3), 548-557.

to make firms able to exploit economies of scale and scope. Firms in this study demonstrated that legal and fiscal factors such as low taxes or clear customs procedures are essential to promoting profitable international operations. For example, Group Euro Mix Bis and Tecnomedia tie their internalization location decisions to regulatory predictability, resonating with theoretical arguments about the importance of such institutional cultures context in international strategy.

However, the study is equally supportive of many of the problems highlighted in the more critical literature. Participants pointed out that these companies faced exposure to political and regulatory risks across multiple jurisdictions, which confirmed that Rajan et al. (2000)¹⁴⁷ and Scharfstein & Stein (2000)¹⁴⁸ were correct on the existence of "double political volatility" for multinationals. Not only do their concerns about fluctuating labor laws, environmental standards, protectionist taxation, and the impact of populist narratives illustrate the increasing difficulty of weaving their way through political environments both at home and in the host counties. The risks are particularly acute in those instances in which populist policies have generated unpredictable or restrictive change, as corroborated by Chang et al. (2016)¹⁴⁹ on the operational risk of managing a variety of regulatory regimes. Furthermore, firms noted that infrastructure, logistics capacity as well as access to financing, especially from EU institutions, are crucial to the success of cross-border operations. It also points out the interaction between the geography of economics and firm strategy, supporting Goerzen & Beamish's (2003)¹⁵⁰ perspective that strategic location and market accessibility are major forces underlying internationalization.

¹⁴⁷ Rajan, R., Servaes, H., & Zingales, L. (2000). The cost of diversity: The diversification discount and inefficient investment. *The Journal of Finance*, 55(1), 35-80.

¹⁴⁸ Scharfstein, D. S., & Stein, J. C. (2000). The dark side of internal capital markets: Divisional rent-seeking and inefficient investment. *The Journal of Finance*, 55(6), 2537-2564. <https://doi.org/10.1111/0022-1082.00299>

¹⁴⁹ Chang, S., Kogut, B., & Yang, J. S. (2016). Global diversification discount and its discontents: A bit of self-selection makes a world of difference. *Strategic Management Journal*, 37(11), 2254-2274.

¹⁵⁰ Goerzen, A., & Beamish, P. W. (2003). Geographic scope and multinational enterprise performance. *Strategic Management Journal*, 24(13), 1289-1306.

The current study suggests that populist policies pose fundamental direct and indirect threats to international firms, decisively influencing their operation, investment, growth, and expansion. This echoes similar outcomes following the literature research, which defines populism as a phenomenon that opposes economic globalization, channeling protectionism, and shifting regulatory uncertainty¹⁵¹¹⁵². Among the negative impacts, Royal Watch and Group Euro-Mix Bis complained of increased trade barriers, economic patriotism, and fluctuating policies, in line with the populist strategy of shielding domestic industries against foreign competition, as defined by Halikiopoulou & Vlandas (2022)¹⁵³ and Rode & Revuelta (2015)¹⁵⁴. These protectionist inclinations, associated in many cases with right-wing populism, directly impacted the firm's decision to invest or maintain business operations in certain countries.

This caution behavior is observed in Chiquita and Tecnomedia's business operations and investment strategies, where they either moved out from volatile regions or sought other more stable policy environments. Such strategies align with the overall discussions in the FDI literature that populist regimes raise political and institutional risks and discourage irreversible investments¹⁵⁵¹⁵⁶. The hesitation of the international firms in this research to not invest in environments influenced by populism can be explained by the "real options" theory whereby firms wait for the best time to invest once there is less risk, such as political¹⁵⁷. For instance, Group

¹⁵¹ Sallai, D., & Schnyder, G. (2021). What is "authoritarian" about authoritarian capitalism? The dual erosion of the private-public divide in state-dominated business systems. *Business & Society*, 60(6), 1312-1348.

¹⁵² Carballo Perez, A., & Corina, M. (2024). Foreign direct investment in the context of rising populism: The role of institutions and firm-level internationalization. *Global Strategy Journal*, 14(1), 84-115.

¹⁵³ Halikiopoulou, D., & Vlandas, T. (2022). *Understanding right-wing populism and what to do about it*.

¹⁵⁴ Rode, M., & Revuelta, J. (2015). The wild bunch! An empirical note on populism and economic institutions. *Economics of Governance*, 16(1), 73-96.

¹⁵⁵ Funke, M., Schularick, M., & Trebesch, C. (2023). Populist leaders and the economy. *American Economic Review*, 113(12), 3249-3288.

¹⁵⁶ Liu, C., & Li, D. (2020). Divestment response to host-country terrorist attacks: Inter-firm influence and the role of temporal consistency. *Journal of International Business Studies*, 51(8), 1331-1346.

¹⁵⁷ Bernanke, B. S. (1983). Irreversibility, uncertainty, and cyclical investment.

Euro-Mix Bis is changing its fleet to accommodate new emission taxes. Solveco scaling back on its regional targeting to policy-stable countries fits into this risk management framework under institutional risk.

Moreover, the study corroborates scholars explaining that populist presidents weaken institutionalization and legal rationality and introduce policy changes that interrupt the continuity crucial for business¹⁵⁸¹⁵⁹¹⁶⁰. When reviewing Solveco's experience with the positive and negative changes in environmental regulations, it is possible to see how populism offers opportunities and threats depending on the type of populist government. Likewise, Royal Watch's focus on reviewing e-commerce regulation policies and Chiquita's strategic divestment from Belarus and Russia exemplify how firms have to work to counter legal and political risks—thus supporting Cuervo-Cazurra (2008)¹⁶¹ on institutional weakness, especially in emergent or populist-led countries. Therefore, these findings support the contention made by Institutional Theory that external institutions force organizations to change their behavior, for instance, through changes in policies and regulations. Basically, populist governments, in one way or another, change the nature of the rules in the institutional space in which firms operate and which define their opportunities for competitiveness and legal compliance.

The study findings show that firms continued using risk prevention strategies to deal with the growing political risks promoted by populism. For example, Chiquita uses its legal department and organizations like the World Banana Forum to monitor and act on changes in trade and tariff policies. In the same way, Solveco sought the services of legal consultants in issues related to the

¹⁵⁸ Weyland, K. (2001). Clarifying a contested concept: Populism in the study of Latin American politics. *Comparative Politics*, 1-22.

¹⁵⁹ Magyar, B. (2016). *Post-communist mafia state: The case of Hungary*.

¹⁶⁰ Blake, D. J., Markus, S., & Martinez-Suarez, J. (2024). Populist syndrome and nonmarket strategy. *Journal of Management Studies*, 61(2), 525-560

¹⁶¹ Cuervo-Cazurra, A., & Genc, M. (2008). Transforming disadvantages into advantages: Developing-country MNEs in the least developed countries. *Journal of International Business Studies*, 39, 957-979

environment. These behaviors can be attributed to the CPA Theory, which states that firms seek to shape government policies to suit their business needs. Firms use industry associations and legal departments in the context of ‘engaged CPA,’ in which they actively try to influence regulations to minimize political risks and secure operational continuity in politically unstable environments. It also assists firms in neutralizing the risks that come with populist governments and locking suitable regulatory frameworks.

The study found that international firms are very relevant players in contributing to the development and rise of populism. Although populism is often driven by changes at the political level and dissatisfaction with domestic politics of globalization, the behavior of these global firms also plays a part in shaping populist politics. The restructuring of international to exploit cheap labor or better operating conditions in other countries invariably results in job losses in the domestic economy especially in sectors that hitherto formed the fabric of the economy¹⁶². This exercise, frequently undertaken as a cost-saving measure, not only diminishes the local employment prospects but also widens income disparities and unsteadies the country’s economy, in turn provoking the feeling of betrayal among the populace. Taking advantage of these grievances, populist leaders arise, claiming that their citizens have been losing their jobs due to globalization and foreign corporations. These findings further agree with the USA’s Trump administration during campaigns and after elections in 2016. Trump seized the populist opportunity from the offshore of American jobs to China which acted as a key issue focused throughout the 2016 presidential campaign.

American organizations virtually moved their production to China in an effort to cut on the labor costs and this caused the loss of many jobs in factories across the United States. Trump

¹⁶² Boucher, J. C., & Thies, C. G. (2019). “I am a tariff man”: The power of populist foreign policy rhetoric under President Trump. *The Journal of Politics*, 81(2), 712-722.

portrayed this as the result of unfair trade policies, mainly by China, and utilized it to mobilize American workers to support him¹⁶³. In response, he placed tariffs on \$250 billion worth of Chinese goods in 2018, describing the action as a way of protecting American industries, reducing the trade deficit, and encouraging companies to bring back jobs into the United States. His “America First” campaign premised its politics on offshoring and harnessed this paranoia to garner populist sentiments.

The study also identifies the influence of populist narratives in shaping consumers' attitudes and trends in the market. According to Chiquita and Tecnomedia, populist speeches may lead to boycotting goods, distrust in foreign companies, and the minimization of investment in industries considered elitist. This concurs with Rodrik's (2021)¹⁶⁴ argument that populism is fueled by globalization backlash, primarily if there is economic dissatisfaction or nationalism. Essig et al. (2021)¹⁶⁵ and Blendon et al. (2017)¹⁶⁶ also add that such sentiments tend to be politically driven, meaning that they are susceptible to social attitudes that have more prejudice than consideration for performance by international firms. Therefore, it can be seen that populism puts pressure on firms from international environments in terms of regulation, investment climate, public opinion, and predictability of associated institutions.

¹⁶³ Blumberg, Y. (2018, December 3). Trump's \$250 billion in China tariffs are now in effect—here's what could get more expensive. *CNBC*. Retrieved March 25, 2025, from <https://www.cnbc.com/2018/09/25/with-trumps-250-billion-in-china-tariffs-heres-what-will-cost-more.html>

¹⁶⁴ Rodrik, D. (2021). Why does globalization fuel populism? Economics, culture, and the rise of right-wing populism. *Annual Review of Economics*, 13(1), 133-170

¹⁶⁵ Essig, J., Xu, P., Garand, J. C., & Keser, C. (2021). The “Trump” effect: Political elite and support for free trade in America. *American Politics Research*, 49(3), 328-342

¹⁶⁶ Blendon, R. J., Casey, L. S., & Benson, J. M. (2017). Public opinion and Trump's jobs and trade policies. *Challenge*, 60(3), 228-244.

5.2. Conclusion and Recommendations

This research aimed at realistically uncovering the mutual interaction between populist politicians and international firms by analyzing how such policies affect the internationalization process of firms, as well as how those firms, by their operational strategies, can foster populism. This study proves that whilst nationalist, protectionist, and unpredictable political regulation strategies are effective, particularly for populist politicians, they present both opportunities and challenges for international firms like Royal Watch, Chiquita, and Solveco. Since populist governments influence the macro-environment, it becomes important for firms to change their strategies, re-evaluate their investment, or pull out of politically volatile markets.

From this study, it is evident that the study highlights the need for international businesses to analyze populist politics and its connection to their business operations. Populist policies, from both right-wing and left-wing populist systems, introduce several risks that international companies need to manage effectively when they arise. When dealing with these challenges, institutional theory and political risk theory also provide valuable frameworks on how firms can adapt through compliance with populist policies or by pulling out from high-risk foreign markets. Furthermore, the study also reveals that firms get involved in CPA, including lobbying and joining industry associations that help to reduce the political risks implemented by populist governments. These findings help expand the literature by providing insight into how business strategies and political environments are transformed under populism and highlighting that firms need to have politically oriented adaptive strategies.

The significance of this study resides in its contribution to the role of populism in international business and, in turn, in influencing political movements. This research illustrates the growing significance of political risk management as well as corporate political strategies in a

populist environment and the global operation of international firms in politically sensitive environments. For international firms, the major implication arising from the study is the need to put into practice future-oriented contingency strategies, structures, and policies to manage both political and legal risks, irrespective of the changes in the populist political systems. This study focuses on firms from particular sectors starting from luxury retail and logistics up to waste management. It should, however, be noted that other sectors may have different challenges and opportunities under populist policies that may not have been captured in this research. For instance, political risks in some industries, such as technology or energy, will be felt in different ways because of their strategic importance or regulatory scrutiny. Future studies could examine how different industries, especially the ones defined as critical or strategic, manage the challenges and opportunities of populism.

The primary finding of this paper is that international firms need to be flexible in the foreign market in which they operate and be aware of the political environment that operates in the global landscape, given the recent increase in populism. Managing risks in countries with unstable leadership means that these firms need to be proactive in risk mitigation activities, political structures, and systems at the local level. It also means that the firms' stakeholders should be aware of general socio-political trends that influence market conditions, including policies that are likely to be introduced by different governments. Adopting political risk management capabilities depends on the firms' efforts to embrace flexible strategies, enhancing their capabilities and competitive stance when operating in politically unstable environments.

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Appendices

Appendix 1: Interview Questions

I. Background Information on the Firm & Interviewee

1. Could you briefly introduce yourself and your role within the company?
2. Can you provide some background on your firm's international presence? (e.g., key markets, industries, main activities abroad)
3. What factors typically influence your firm's decisions to expand into or continue operating in a foreign market?
4. How does your firm assess political risks when entering or maintaining operations in a foreign country?

II. Awareness and Perception of Populism

5. How aware is your firm of populist movements and politicians in both your home country and the foreign markets where you operate?
6. How closely does your company monitor government policies, particularly those influenced by populist leaders or parties?
7. Do you perceive populist policies as a threat, an opportunity, or both for your firm? Why?

III. Impact of Populist Policies on International Firms

8. Has your firm been directly or indirectly affected by populist policies (e.g., trade restrictions, tax changes, labor laws, nationalistic rhetoric)? If so, in what ways?
9. Have these policies influenced your firm's investment, expansion, or operational decisions? If yes, how?

10. Have you experienced any changes in the regulatory environment due to populist policies? If so, how has your firm adapted?
11. Have you faced any shifts in consumer sentiment or market conditions due to populist narratives?

IV. Strategic Responses to Populism

12. When selecting markets for expansion, does your firm consider the political environment, particularly the presence of populist movements? How does this factor into decision-making?
13. Have populist policies ever led your firm to reconsider or adjust internationalization strategies (e.g., relocating production, shifting supply chains, modifying hiring policies)?
14. Has your company taken specific actions to mitigate risks associated with populist policies (e.g., lobbying, public relations campaigns, partnerships with local businesses)?

V. The Firm's Role in Political and Social Change

15. Some argue that international firms contribute to the rise of populism, especially when offshoring jobs or restructuring operations. Do you believe this is true? Why or why not?
16. Have you observed or experienced political backlash due to your firm's international operations (e.g., criticism from political parties, media, public opinion)?
17. Do you think international firms have a responsibility to engage with or counteract populist rhetoric that affects business and economic stability? If so, how?

VI. Future Outlook and Closing Thoughts

18. Looking ahead, how do you think populist movements and policies will evolve, and what impact might they have on international business?

19. What advice would you give to firms looking to navigate populist political environments effectively?
20. Is there anything else you would like to add regarding the intersection of populism and international business?

Appendix 2: Interview Transcript (translated from polish)

1. Interviewee A:

Interviewer: Thank you for taking the time to speak with me today. To start, could you briefly introduce yourself and your role within the company?

Interviewee A: Of course. My name is Interviewee A, and I am the CEO and founder of Royal Watch, a luxury watch retailer based in Kraków, Poland. We specialize in high-end timepieces and have built a strong reputation over the years for both selling and servicing luxury watches. In addition to Royal Watch, I also own Sushi Royal and Royal Ramen, two restaurant businesses in Kraków.

Interviewer: Can you provide some background on your firm's international presence? Which key markets do you operate in?

Interviewee A: While our main showroom is located in Kraków, we serve clients worldwide through online platforms, particularly Chrono24, a global marketplace for luxury watches. Many of our clients are from Western Europe, the United States. We also have a strong network of suppliers and partners from Switzerland and other parts of Europe.

Interviewer: What factors typically influence your firm's decisions to expand into or continue operating in a foreign market?

Interviewee A: First and foremost, demand for luxury watches in a given market is crucial. Some markets have a much stronger culture of watch collecting, which directly impacts our sales. We also consider the ease of doing business, taxation policies, and trade regulations. Since we deal with high-value items, trust and the ability to ensure seamless transactions across borders are key factors as well.

Interviewer: How does your firm assess political risks when entering or maintaining operations in a foreign country?

Interviewee A: Political stability is always an important factor. Changes in import taxes, tariffs, or restrictions on high-value goods can affect our ability to serve clients abroad. For instance, if a

country suddenly imposes stricter regulations on luxury goods imports, it can impact our business significantly. We stay updated on regulatory changes and adjust our strategy accordingly.

Interviewer: How aware is your firm of populist movements and politicians in both your home country and the foreign markets where you operate?

Interviewee A: We stay informed, but as a luxury retail business, we are not always directly affected by populist movements. That said, Poland has seen its share of populist policies, particularly in economic regulations and taxation. When such policies lead to protectionist measures, they can impact international trade, which indirectly affects us.

Interviewer: How closely does your company monitor government policies, particularly those influenced by populist leaders or parties?

Interviewee A: We keep a close eye on policy changes that could affect taxation, international trade, and online sales platforms. Since we rely on platforms like Chrono24, we need to be aware of any potential regulations that could limit our ability to reach international customers.

Interviewer: Do you perceive populist policies as a threat, an opportunity, or both for your firm? Why?

Interviewee A: It depends on the nature of the policy. Some populist policies, like protectionism, can create challenges by limiting imports or increasing costs. However, if a populist government promotes economic growth and local consumer spending, that could be beneficial for our domestic sales.

Interviewer: Has your firm been directly or indirectly affected by populist policies, such as trade restrictions, tax changes, or nationalistic rhetoric? If so, in what ways?

Interviewee A: Yes, taxation policies and import duties have impacted us. Some populist governments tend to impose higher import duties on luxury goods, which makes it more expensive for international customers to buy from us. Additionally, currency fluctuations due to political instability can impact our pricing strategy.

Interviewer: Have these policies influenced your firm's investment, expansion, or operational decisions? If yes, how?

Interviewee A: We are cautious when expanding into certain markets. If a country is moving towards strong protectionist policies, we might reconsider targeting that region. Instead, we focus on more stable and open markets.

Interviewer: Have you experienced any changes in the regulatory environment due to populist policies? If so, how has your firm adapted?

Interviewee A: Regulations regarding e-commerce and tax reporting have become stricter in some regions. We have adapted by ensuring full compliance with VAT requirements and transparency in our cross-border transactions.

Interviewer: When selecting markets for expansion, does your firm consider the political environment, particularly the presence of populist movements?

Interviewee A: Yes, we do. If a country frequently changes its trade policies or tax regulations due to populist movements, it makes it harder to plan long-term. We prefer stable markets with clear policies.

Interviewer: Have populist policies ever led your firm to reconsider or adjust internationalization strategies?

Interviewee A: Definitely. For example, if a country starts imposing restrictions on luxury imports, we may shift our marketing efforts to other regions where regulations are more favorable.

Interviewer: Has your company taken specific actions to mitigate risks associated with populist policies?

Interviewee A: We diversify our sales channels, making sure we are not overly dependent on a single market. Additionally, we stay informed and work with legal and financial advisors to navigate any regulatory challenges.

Interviewer: Some argue that international firms contribute to the rise of populism, especially when offshoring jobs. Do you believe this is true?

Interviewee A: It depends on the industry. In manufacturing, job losses due to outsourcing can certainly contribute to populist rhetoric. However, in our case, we provide a specialized service, and our business is not about relocating jobs but rather about international trade.

Interviewer: Have you observed or experienced political backlash due to your firm's international operations?

Interviewee A: Not directly, but sometimes luxury goods are perceived as symbols of inequality, which can be criticized by populist politicians. However, our customers value quality and exclusivity, which remains a strong market regardless of political climate.

Interviewer: Do you think international firms have a responsibility to engage with or counteract populist rhetoric that affects business? If so, how?

Interviewee A: Firms should advocate for free trade and fair regulations, but direct political engagement can be risky. Instead, businesses should focus on educating consumers and working with industry associations to influence policy in a constructive way.

Interviewer: Looking ahead, how do you think populist movements and policies will evolve, and what impact might they have on international business?

Interviewee A: Populist movements tend to be cyclical. While they may gain momentum in times of economic uncertainty, eventually, practical economic policies prevail. Businesses need to remain adaptable.

Interviewer: What advice would you give to firms looking to navigate populist political environments effectively?

Interviewee A: Stay informed, diversify your markets, and build strong legal and financial strategies. Being flexible is key to mitigating risks.

Interviewer: Thank you for your insights. It was a pleasure speaking with you.

Interviewee A: Likewise, thank you.

2. Interviewee B:

Interviewer: Thank you for taking the time to speak with me today. To start, could you briefly introduce yourself and your role within the company?

Interviewee B: My name is Interviewee B, and I am the President and owner of Group Euro-Mix Bis Sp. z o.o. We specialize in international transport and logistics, providing road freight services, warehousing, vehicle maintenance, and wholesale trade. Our company has grown into one of key players in the European logistics sector, ensuring the efficient movement of goods across borders, with a particular focus on Spain.

Interviewer: Can you provide some background on your firm's international presence? Which key markets do you operate in?

Interviewee B: Our main market is Europe, with a strong focus on Spain. This country accounts for a large portion of our deliveries, particularly in the food, automotive, and construction industries. We also have a significant presence in other European markets such as Italy, Germany, France, and the Netherlands. Our company handles international freight transport, warehousing, distribution, and vehicle servicing to support smooth cross-border trade operations.

Interviewer: What factors typically influence your firm's decisions to expand into or continue operating in a foreign market?

Interviewee B: Several factors come into play. First, the demand for logistics services in a given market is essential—Spain and Italy, for example, have a high demand for goods transport, especially in sectors like agriculture and industrial materials. Second, we consider the quality of road infrastructure, fuel and operational costs, and regulatory stability. Lastly, labor availability, particularly skilled drivers, is critical. Any restrictions on international trucking operations, such

as road taxes, customs procedures, or work permit policies, can influence where we expand or adjust our routes.

Interviewer: How does your firm assess political risks when entering or maintaining operations in a foreign country?

Interviewee B: Political risks are always a factor in logistics. Changes in trade regulations, new toll fees, environmental restrictions, and labor laws all affect our ability to operate efficiently. We keep a close watch on legislative developments, especially those driven by populist governments that may introduce protectionist measures or stricter labor laws. Having a flexible approach to route planning and alternative logistics solutions is key to managing these risks.

Interviewer: How aware is your firm of populist movements and politicians in both your home country and the foreign markets where you operate?

Interviewee B: We stay informed about political developments in Poland and the European countries where we operate. Populist movements often bring economic policies that impact transport, such as restrictions on foreign truck drivers, new taxation on transport companies, or incentives for local businesses to use domestic logistics providers. In Spain and Italy, where we have a strong presence, we track government policies that affect road transport and fuel taxation closely.

Interviewer: How closely does your company monitor government policies, particularly those influenced by populist leaders or parties?

Interviewee B: We monitor policies through industry associations, legal advisors, and transport unions. We focus on regulatory changes related to freight transport, labor laws concerning international drivers, and road taxation. By staying informed, we can adjust our pricing strategies, optimize routes, and ensure compliance with any new regulations that arise.

Interviewer: Do you perceive populist policies as a threat, an opportunity, or both for your firm? Why?

Interviewee B: It depends on the policies introduced. On one hand, populist policies that favor local transport companies by restricting foreign competitors can make it harder for us to operate across borders. Increased road tolls, environmental fees, and bureaucratic barriers create additional costs. On the other hand, when governments invest in infrastructure and logistics hubs to support domestic trade, it can improve road conditions and overall efficiency in the industry. The impact varies depending on how these policies are implemented.

Interviewer: Has your firm been directly or indirectly affected by populist policies, such as trade restrictions, tax changes, or labor laws? If so, in what ways?

Interviewee B: Yes, we have felt the effects of several policies. For example, in some Western European countries, labor laws have been tightened, requiring foreign transport companies like ours to pay drivers local wages when working within those borders. This significantly increases

our labor costs. Additionally, Brexit led to more complex customs procedures, slowing down deliveries to the UK. New environmental policies in Spain and Italy, such as emission-based road taxes, have also increased our operational expenses.

Interviewer: Have these policies influenced your firm's investment, expansion, or operational decisions? If yes, how?

Interviewee B: Absolutely. In response to new restrictions, we have adjusted our logistics model by investing in newer, fuel-efficient trucks to reduce carbon taxes and minimize operational costs. We have also built stronger relationships with local partners in Spain and Italy to navigate bureaucratic challenges more efficiently. Moreover, we have optimized delivery routes to focus on countries where trade regulations are more stable and predictable.

Interviewer: Have you experienced any changes in the regulatory environment due to populist policies? If so, how has your firm adapted?

Interviewee B: Yes. In some countries, new road tolls and restrictions on working hours for international drivers have made scheduling more complex. We have adapted by using advanced fleet management software to optimize delivery times and costs. Additionally, we've expanded our warehousing services to provide better distribution solutions, especially in Italy, where demand for efficient logistics is high.

Interviewer: Have you faced any shifts in consumer sentiment or market conditions due to populist narratives?

Interviewee B: In some markets, nationalistic sentiment has encouraged companies to favor domestic transport providers over foreign firms, even when our service is more efficient and cost-effective. To counter this, we emphasize our reliability, international experience, and competitive pricing to maintain our market share.

Interviewer: When selecting markets for expansion, does your firm consider the political environment, particularly the presence of populist movements? How does this factor into decision-making?

Interviewee B: Yes, political stability is a critical factor. If a country frequently changes its transport policies or imposes barriers on international logistics providers, it becomes a less attractive market. We analyze long-term trends before making investment decisions.

Interviewer: Have populist policies ever led your firm to reconsider or adjust internationalization strategies?

Interviewee B: Yes. For instance, due to labor restrictions and environmental taxes in some Western European countries, we have strengthened our focus on Spain and Italy, where we see more stable demand and regulatory predictability. We also diversified our service offerings, such as warehousing, to ensure profitability despite changing conditions.

Interviewer: Has your company taken specific actions to mitigate risks associated with populist policies?

Interviewee B: We have invested in sustainable logistics solutions, improved fuel efficiency, and expanded partnerships with local businesses. We also advocate for fair transport policies through industry organizations.

Interviewer: What are the biggest challenges for the international transport sector in the coming years?

Interviewee B: One of the biggest challenges will be adapting to new environmental regulations, as many countries are introducing strict emissions laws that impact trucking companies. We will need to continue investing in greener logistics solutions, such as low-emission vehicles and alternative fuel options, to stay compliant. Another major issue will be the shortage of skilled drivers, which has been exacerbated by immigration restrictions and labor laws in certain regions.

Interviewer: How do you see technological advancements impacting your business?

Interviewee B: Technology will be critical in making logistics operations more efficient. Automated fleet tracking, AI-driven route optimization, and digital customs processing will help streamline cross-border transport. Companies that invest in these solutions will have an advantage in navigating regulatory and operational challenges.

Interviewer: Do you see opportunities for growth despite these challenges?

Interviewee B: Yes, absolutely. The demand for international transport is growing, especially in sectors such as e-commerce and perishable goods. We see opportunities to expand our warehousing and last-mile delivery services, particularly in Spain and Italy, where efficient logistics are crucial. Additionally, with shifting supply chains, there will be new opportunities in emerging markets.

Interviewer: Thank you a lot for your time. It was a great pleasure speaking with you.

Interviewee B: Thank you.

3. Interviewee C:

Interviewer: Thank you for joining me today. To begin, could you introduce yourself and tell me about your role at Chiquita?

Interviewee C: Good morning. My name is Interviewee C, and I have been working in the logistics department of Chiquita Europe B.V. for nearly 13 years. I'm currently in the position of Logistics specialist. I handle accounting as well as broadly understood supply chain management.

Interviewer: Could you share some insights about Chiquita's international operations and key markets?

Interviewee C: We are one of the leading banana producers in the world. Currently, we operate in over 70 countries.

Interviewer: What are the main factors that influence Chiquita's decisions to enter or continue operating in a foreign market?

Interviewee C: Good question. The main factor is, of course, the increase in fruit consumption, especially bananas, in a given country or region. I think, apart from that, we can also mention import regulations such as tariffs and taxes, the availability of distribution channels like ports, logistics centers, and refrigerated transport, as well as costs of labor, warehousing, logistics, marketing, and promotion.

Interviewer: How does Chiquita assess political risks when expanding or maintaining operations abroad?

Interviewee C: Mainly by analyzing the political situation of the country, monitoring government actions regarding trade policies, agricultural regulations, and environmental protection. Of course, we also take into account both current and planned changes in regulations regarding import, tariffs, and taxes on food products.

Interviewer: How does Chiquita perceive populist movements and their impact on business in different markets?

Interviewee C: Due to the industry we operate in, Chiquita B.V. tries to avoid political involvement in both production and sales countries. Of course, we monitor the geopolitical and macroeconomic situation on an ongoing basis, responding to changes such as embargoes or regulatory changes in markets, but unfortunately, we do not have official company statements or data on involvement in populist movements in specific markets, so it is difficult for me to assess such correlations.

Interviewer: How does your company track government policies, particularly those shaped by populist leaders?

Interviewee C: Like other multinational corporations, Chiquita Europe B.V. monitors government policies, especially in countries where we operate or plan to expand. We do this through several key mechanisms: reacting to legal changes with a dedicated legal department for government relations, membership in industry organizations such as the World Banana Forum, which analyzes the impact of government policies on the agricultural and trade sector, political risk analysis with reports from firms like Economist Intelligence Unit and Fitch Solutions, and constant monitoring of trade policy changes, especially concerning customs policies, phytosanitary regulations, and labor laws in both producing and consumer countries.

Interviewer: Do you view populist policies as more of a challenge or an opportunity for Chiquita?

Interviewee C: In our case, it is both a threat and an opportunity. Due to significant geographical limitations in banana production, populism in most consumer markets does not significantly

impact our operations in those regions. Of course, this does not apply to embargoes, which completely shut down trade possibilities. Populism can also create market opportunities if a company can adapt to new realities. Much depends on the specifics of the populist policies in a given country or region.

Interviewer: Has Chiquita been affected by populist policies, such as trade restrictions or nationalistic regulations?

Interviewee C: Absolutely. In the 1990s, we experienced the impact of populist and nationalist policies on our operations. This primarily affected Latin American countries like Colombia and Guatemala, where we were drawn into labor rights conflicts and accusations of supporting paramilitary groups, which influenced our reputation. In recent years, trade restrictions have impacted us due to embargoes imposed on the Belarusian and Russian markets.

Interviewer: Have these policies influenced Chiquita's expansion plans or operational strategy?

Interviewee C: Yes, including the aforementioned embargo on banana sales to Belarus and Russia caused by the outbreak of the war in Ukraine. From that moment, we completely withdrew from those markets.

Interviewer: Has the regulatory environment changed for Chiquita as a result of populist policies?

Interviewee C: Here, I must also mention the Russia-Ukraine conflict. Due to this, we were forced to withdraw from all planned investments in Belarus and Ukraine.

Interviewer: Have changes in consumer sentiment due to populist narratives affected Chiquita's business?

Interviewee C: Right after the outbreak of the war, sales in the Baltic markets such as Lithuania, Latvia, and Estonia dropped by 90%, so even though these countries were not directly involved in the conflict, they saw drastic declines in sales. These changes in sentiment have a real impact on our operations.

Interviewer: Does Chiquita factor in political movements, including populism, when choosing expansion markets?

Interviewee C: Of course. Both market conditions and political stability have a huge impact on this. The relevant department carefully analyzes the political environment, including the influence of populist movements, before deciding on expansion. Regulatory stability, openness to international trade, customs policies, and labor laws are key factors.

Interviewer: Have populist policies ever led Chiquita to reconsider its international strategy?

Interviewee C: Yes. In 1994, shortly after its founding, the European Union introduced regulations that reduced our then-market share in Europe by nearly 50%.

Interviewer: Looking ahead, how do you think populist movements and policies will evolve, and what impact might they have on international business?

Interviewee C: It is difficult to predict how populism will evolve, as it often depends on the economic situation in different countries. However, as long as protectionist policies remain in place, companies engaged in international trade will have to adapt to changing conditions and regulatory shifts. The key will be maintaining flexibility in market strategies.

Interviewer: What advice would you give to firms looking to navigate populist political environments effectively?

Interviewee C: Companies should prepare for regulatory uncertainty and ensure they have alternative market strategies. Understanding legal frameworks, staying informed about political shifts, and diversifying trade routes and partnerships can help mitigate risks. Flexibility and quick adaptation are essential.

Interviewer: Is there anything else you would like to add regarding the intersection of populism and international business?

Interviewee C: Populist policies will always present both challenges and opportunities for businesses. The ability to recognize risks early and strategically adjust business operations is crucial. In industries like ours, where we depend on global trade, it is necessary to maintain strong logistics and legal teams that can handle these shifts effectively.

Interviewer: Thank you for your time. I appreciate your insights.

Interviewee C: Thank you as well. It was a pleasure to discuss these topics.

4. Interviewee D:

Interviewer: Thank you for taking the time to speak with me today. To start, could you briefly introduce yourself and your role within the company?

Interviewee D: Of course! It's a pleasure to be here. My name is Interviewee D, and I am the President of Tecnomedia Sp. z o.o., the franchisor of the Tecnocasa brand in Poland. Our company is responsible for developing and expanding the Tecnocasa real estate franchise network throughout the country. We ensure that franchise offices operate according to high professional standards and provide top-quality real estate services to our clients.

Interviewer: Can you provide some background on your firm's international presence and how the Tecnocasa franchise operates in Poland?

Interviewee D: Absolutely! Tecnocasa is an international real estate franchise network that originated in Italy and has expanded across multiple countries. In Poland, we oversee the growth of the franchise, supporting our partners in offering real estate brokerage services, property sales,

rentals, and financial consulting. We aim to build a network of cooperating offices that maintain high service standards and provide expert advice to clients looking to buy, sell, or rent properties.

Interviewer: What factors typically influence your firm's decisions to expand into or continue operating in a foreign market?

Interviewee D: That's an excellent question! Several key factors drive our expansion decisions. First, the demand for real estate services in a given market is crucial. Poland has a dynamic property market, and cities like Kraków, Warsaw, and Wrocław have strong demand for professional real estate brokerage. Second, regulatory stability is essential—we need clear legal frameworks that support real estate transactions and protect both businesses and clients. Lastly, economic factors such as interest rates, mortgage availability, and overall investment sentiment impact our decision to expand.

Interviewer: How does your firm assess political risks when entering or maintaining operations in a foreign country?

Interviewee D: We closely monitor legislative changes, especially those related to real estate, banking regulations, and business laws. Any government policy affecting property taxation, rental regulations, or mortgage conditions can influence our operations. Additionally, political stability and the general business climate play a role in determining the attractiveness of a market for expansion.

Interviewer: How aware is your firm of populist movements and politicians in both your home country and the foreign markets where you operate?

Interviewee D: Very aware. Populist movements often introduce policies that can significantly affect the real estate sector. In Poland, as in other countries, populist rhetoric sometimes leads to policies aimed at controlling housing prices, regulating rental markets, or increasing taxation on property investments. These policies can have long-term effects on our industry.

Interviewer: How closely does your company monitor government policies, particularly those influenced by populist leaders or parties?

Interviewee D: We work with legal advisors and industry associations to track regulatory changes. We pay particular attention to policies regarding rent control, property taxation, and restrictions on foreign real estate investment. We also follow banking regulations closely, as changes in mortgage availability and interest rates directly impact property transactions.

Interviewer: Do you perceive populist policies as a threat, an opportunity, or both for your firm? Why?

Interviewee D: Wow, that's a tough one! It really depends on the policy. Some populist measures, such as rent control or restrictions on property speculation, can limit market liquidity and discourage investment. On the other hand, policies that support first-time homebuyers through

government-backed mortgage programs can stimulate demand for real estate services. It all comes down to how the policies are structured and implemented.

Interviewer: Has your firm been directly or indirectly affected by populist policies, such as property regulations, tax changes, or housing market controls? If so, in what ways?

Interviewee D: Oh, absolutely! We've seen policies that create uncertainty for property investors, which makes it harder to predict market trends. For instance, ongoing discussions about rent control and tenant protection laws can make some property owners hesitant to rent out their apartments. Additionally, increased taxation or restrictions on foreign property purchases could slow down investment activity, which would impact our business.

Interviewer: Have these policies influenced your firm's investment, expansion, or operational decisions?

Interviewee D: Definitely. Whenever there is uncertainty about government policies, potential franchisees become more cautious about entering the market. This means we have to provide even more support, training, and information to reassure them. We also adapt our strategies to ensure that our business model remains strong despite changes in the regulatory landscape.

Interviewer: Have you faced any shifts in consumer sentiment due to populist narratives?

Interviewee D: Yes, and it's really interesting to observe. When populist rhetoric targets real estate investors, it can discourage individuals from buying or renting properties. Some people feel hesitant because they're unsure about future regulations. Our job is to educate clients and help them make informed decisions, regardless of the political climate.

Interviewer: Looking ahead, what do you think will be the biggest challenges for the real estate sector in the coming years?

Interviewee D: That's a big question! One of the biggest challenges will be adapting to new regulations, especially if governments introduce stricter controls on property transactions or rental markets. Another challenge is the rising cost of mortgages and shifting interest rates, which can affect buying power and market liquidity. We'll need to stay agile and find ways to keep the market active despite these fluctuations.

Interviewer: What about technological advancements? Do you see them playing a big role in the industry's future?

Interviewee D: Yes, technology is already transforming how we do business. Virtual property tours, AI-powered property valuations, and digital transaction processes are making real estate services more efficient. Those who embrace technology will have a competitive advantage in the coming years.

Interviewer: Do you think there are still opportunities for growth in this environment?

Interviewee D: 100%! Even with challenges, the real estate market remains one of the most fundamental sectors of the economy. There will always be demand for housing and commercial properties. The key is to adapt to changing consumer expectations, regulatory frameworks, and technological trends. By staying proactive and innovative, we can continue to grow despite market fluctuations.

Interviewer: Finally, what advice would you give to companies looking to navigate politically uncertain environments?

Interviewee D: The key is to stay adaptable and forward-thinking. Governments change, policies shift, but the fundamentals of the market remain. Businesses that focus on delivering value, understanding customer needs, and being proactive in compliance will always find ways to thrive. I would also encourage companies to maintain open dialogue with policymakers and industry experts to ensure their voices are heard in shaping fair regulations.

Interviewer: Thank you so much for this conversation—it's been incredibly insightful.

Interviewee D: My pleasure! I really enjoyed our discussion!

5. Interviewee E:

Interviewer: Thank you for taking the time to speak with me today. To start, could you introduce yourself and your role within Solveco?

Interviewee E: My name is Interviewee E, and I am the President of Solveco Group. We are an international company specializing in ecological solutions, recycling technologies, and waste management. Our mission is to make the world cleaner by developing and implementing advanced methods for waste processing, recycling, and sustainable environmental management.

Interviewer: Solveco has a significant presence across Europe. Could you provide some insights into your company's international operations?

Interviewee E: Solveco operates in multiple European countries, including Germany, Spain, Albania, and Turkey. Our main focus is on sustainable waste processing and recycling, with a particular emphasis on hazardous waste treatment and industrial byproduct recycling. One of our most unique innovations is our soda lye purification technology—the only one of its kind in Europe—which allows companies to reuse soda lye in their production processes, reducing costs and environmental impact.

Interviewer: What are the key factors that influence your company's expansion into international markets?

Interviewee E: Well the primary factors include regulatory frameworks supporting sustainability, demand for industrial waste recycling, and technological feasibility. We assess markets based on how progressive they are in adopting green initiatives and whether governments support

businesses that focus on ecological responsibility. Access to funding—such as European Union grants for sustainable development—also plays a role in our expansion strategy.

Interviewer: How does Solveco assess political risks when entering or maintaining operations in a foreign country?

Interviewee E: Political risks are a consideration, especially in the waste management and recycling sector, where regulations can change frequently. We closely monitor government policies related to environmental regulations, industrial waste management, and emissions reduction. In some cases, populist governments introduce protectionist policies that favor local firms, making it more challenging for international companies like ours to operate. However, some governments actively promote sustainability, which aligns with our business model.

Interviewer: How aware is Solveco of populist movements and politicians in both your home country and the foreign markets where you operate?

Interviewee E: Populist movements often shape environmental policies in different ways. Some governments push for stricter regulations on hazardous waste management, which benefits companies like ours that specialize in advanced recycling solutions. Others may deprioritize environmental concerns in favor of short-term economic growth, slowing down innovation in the sustainability sector.

Interviewer: How closely does Solveco monitor government policies, particularly those influenced by populist leaders?

Interviewee E: We monitor policies at both the national and European levels. We work with regulatory agencies, industry associations, and legal experts to ensure compliance with evolving laws. Additionally, our participation in public tenders within the EU allows us to stay informed about government priorities in waste management. Policy changes regarding hazardous waste disposal, industrial emissions, and recycling incentives are crucial factors for us.

Interviewer: Do you perceive populist policies as more of a threat or an opportunity for Solveco? Why?

Interviewee E: It depends on the specific policies. Some populist governments prioritize environmental protection, which creates business opportunities for us. For example, when governments invest in eliminating illegal landfills—so-called “ecological bombs”—we step in with our expertise to safely neutralize and recycle hazardous waste. However, when populist policies prioritize deregulation, companies with less stringent environmental standards may gain an unfair advantage, making it harder for companies like ours to compete.

Interviewer: Has Solveco been directly or indirectly affected by populist policies, such as environmental regulations, tax changes, or industrial policies?

Interviewee E: One example is the increasing focus on waste disposal regulations in certain European countries. Some governments have introduced stricter landfill laws, which creates

opportunities for us to provide alternative recycling solutions. However, in other cases, deregulation has made it easier for companies to dispose of waste irresponsibly, reducing the demand for advanced recycling technologies.

Interviewer: Have these policies influenced your firm's investment, expansion, or operational decisions?

Interviewee E: We are cautious when entering markets with unstable regulations. If a country frequently changes its environmental laws, it becomes risky to invest in large-scale recycling installations there. On the other hand, when governments introduce long-term sustainability incentives, we are more inclined to invest in new facilities and expand our partnerships in those markets.

Interviewer: Have you experienced any shifts in consumer sentiment due to populist narratives?

Interviewee E: In some markets, there is a growing public demand for companies to take greater responsibility for environmental protection. This aligns with our mission and strengthens our market position. However, in regions where populist governments downplay climate change concerns, businesses and consumers may be less motivated to prioritize sustainable waste management. This requires us to engage in more educational efforts to raise awareness about the long-term benefits of proper recycling practices.

Interviewer: When selecting markets for expansion, does Solveco consider the political environment, particularly the presence of populist movements? How does this factor into decision-making?

Interviewee E: Political stability and regulatory predictability are major considerations. If a country has a history of rapidly changing environmental laws, it's a red flag for us. We prefer to expand into markets with a strong commitment to long-term sustainability goals.

Interviewer: Have populist policies ever led Solveco to reconsider or adjust internationalization strategies?

Interviewee E: In cases where new governments roll back environmental protections, we reassess our investment plans and may focus on partnerships with private-sector clients rather than relying on government contracts.

Interviewer: Has Solveco taken specific actions to mitigate risks associated with populist policies?

Interviewee E: We diversify our market approach. By participating in EU-funded projects and working with multiple governments, we reduce dependency on any single country's policies. We also invest in continuous innovation so that our services remain relevant regardless of shifting political landscapes.

Interviewer: Looking ahead, what do you think will be the biggest challenges and opportunities for the waste management and recycling industry?

Interviewee E: The biggest challenge will be balancing economic growth with environmental protection. As some governments push for deregulation, there is a risk that proper waste management will be overlooked. However, the biggest opportunity lies in

technology. Innovations in recycling, such as our soda lye purification process, are game-changers for industries looking to reduce waste and optimize resource usage.

Interviewer: What advice would you give to companies navigating politically uncertain environments?

Interviewee E: Companies should always be proactive rather than reactive when it comes to regulatory changes.

Interviewer: Thank you for this insightful conversation.

Interviewee E: My pleasure. It was great to discuss these important topics.