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Corporate political activity and MNEs' sustainability performance: Evidence from sub-Saharan Africa

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ABSTRACT

This article examines the effect of corporate political activities (CPA) on sustainability performance through the mediating mechanism of political influence. It further investigates the contingent factors influencing the relationship between political influence and corporate sustainability performance. Our hypotheses are largely supported by time-lagged data from 348 multinational enterprises (MNEs) operating in four sub-Saharan African countries. Our findings extend nonmarket strategies (NMS) and sustainability literature by testing a mediating and contingent model that assesses the influence of CPA on corporate sustainability performance. This nuanced analysis broadens the conceptual scope and applicability of NMS and sustainability activities, particularly in non-Western contexts.

1. Introduction

Nonmarket strategy (NMS) refers to a purposeful set of activities through which firms manage and shape their institutional and social environments to secure economic benefits (Adomako et al., 2023a; Sun et al., 2021). Within this domain, scholars increasingly recognize two core manifestations: corporate political activity (CPA) and corporate social responsibility (CSR) (Adomako et al., 2023a; Du et al., 2019). CPA involves deliberate efforts to influence political actors and regulatory processes, whereas CSR reflects firms' commitments to social and environmental responsibilities (Mellahi et al., 2016). Although prior research generally assumes that nonmarket engagement enhances firm performance, this assumption masks a deeper theoretical tension. Political engagement may generate economic advantages while simultaneously creating trade-offs for environmental and social sustainability, particularly in institutionally fragile contexts. Yet we lack a coherent theoretical explanation for when and why such divergent outcomes emerge.

This tension is especially salient for multinational enterprises (MNEs) operating in developing economies. In these contexts, governments often play a decisive role in resource allocation, regulation, and market access (Acquaah, 2007). Institutional voids, regulatory instability, and resource constraints intensify firms' dependence on political connections (Amaeshi et al., 2016; Hasija & Brown, 2024; Mbalyohere & Lawton, 2018). CPA may therefore function less as a discretionary choice and more as a strategic necessity. Through political engagement, MNEs can secure contracts, obtain subsidies, influence legislation, and gain privileged access to information (Donbesuur et al., 2023; Röell et al., 2022). However, whether such engagement enhances or undermines sustainability performance remains insufficiently understood. While international business (IB) research has examined political strategies in relation to competitive positioning and financial outcomes (Hasija & Brown, 2024; Rizopoulos & Sergakis, 2010), far less attention has been paid to how CPA shapes subsidiaries' environmental, social, and economic sustainability performance.

Several gaps persist in the NMS literature. First, existing studies

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frequently examine CPA and CSR jointly (Adomako et al., 2023a; Den Hond et al., 2014) yet rarely isolate the independent effects of CPA on corporate sustainability performance (CSP). Second, prior work has largely focused on financial or competitive outcomes of political strategy, leaving unclear how CPA influences the multidimensional nature of sustainability. Third, although scholars have identified mediators and moderators in the NMS–performance relationship (Aragón-Correa & Sharma, 2003; Liu et al., 2018; McWilliams et al., 2002), the mechanisms and boundary conditions through which CPA translates into sustainability consequences remain underdeveloped. In particular, little is known about how political influence—the firm's capacity to shape policy and regulatory outcomes—functions as the mechanism linking CPA to sustainability performance in contexts characterized by institutional uncertainty and governance challenges.

To address these gaps, we draw on institutional logics perspective to provide a more nuanced explanation of CPA's sustainability implications. Institutional logics are historically constructed belief systems composed of material practices, values, and assumptions that guide organizational behavior and legitimacy judgments (Friedland & Alford, 1991; Thornton & Ocasio, 1999; Thornton et al., 2012). Organizations are embedded in multiple, potentially competing logics, generating institutional complexity (Besharov & Smith, 2014; Greenwood et al., 2011). We argue that CPA activates a political-instrumental logic centered on regulatory leverage, access to state actors, and economic gain. In contrast, sustainability performance reflects stakeholder-accountability logics emphasizing environmental stewardship, social responsibility, and normative legitimacy. The compatibility or incompatibility between these logics determines whether political engagement complements or undermines sustainability outcomes.

In developing economies, the political-instrumental logic may become particularly salient. Weak enforcement mechanisms and discretionary regulatory environments can make political access a powerful strategic asset. When dominant, this logic may encourage subsidiaries to leverage political influence for economic gains, potentially at the expense of environmental compliance or social commitments. However, political engagement may also stabilize operations, reduce uncertainty, and secure long-term economic viability, thereby strengthening economic sustainability. Sustainability performance thus reflects the relative dominance and interaction of competing institutional logics within the subsidiary.

Building on this theoretical foundation, we develop a mediated and contingent model. We distinguish between CPA as a strategic input and political influence as the mechanism through which CPA affects performance (Luo & Junkunc, 2008). Political influence captures the effectiveness of firms' engagement with political actors in shaping regulatory and policy outcomes. We further argue that the consequences of political influence depend on governance structures and developmental context. Specifically, foreign parent equity control shapes which institutional logic becomes dominant within subsidiaries by directing attention, defining performance criteria, and allocating resources (Chen et al., 2014). In addition, the level of economic development in the home country imprints dominant value systems that influence how subsidiaries deploy political engagement abroad (Cateora & Graham, 2001; Zhou et al., 2007). These contingency factors condition whether political-instrumental logic complements economic sustainability while conflicting with environmental and social accountability logics.

We empirically examine this framework using survey data from 348MNE subsidiaries operating in sub-Saharan Africa (i.e., Ghana, Nigeria, Ethiopia, and Kenya). These countries represent some of the largest and fastest-growing economies in sub-Saharan Africa, attracting substantial foreign direct investment and hosting a significant presence of MNE subsidiaries. They also exhibit variation in economic development, regulatory quality, and institutional maturity, enabling meaningful examination of contextual contingencies. Despite institutional challenges, these countries maintain relatively stable political systems compared to several neighboring states, making them appropriate settings for studying sustained nonmarket engagement. Our focus is grounded in institutional and economic characteristics rather than postcolonial framing.

This study contributes to the NMS and IB literature in three interrelated ways. First, we extend NMS research by linking CPA to multidimensional CSP, moving beyond the traditional emphasis on financial performance and positioning sustainability as a strategic outcome embedded in nonmarket engagement (Burritt et al., 2020; Wijethilake, 2017). Second, we conceptualize and empirically test political influence as the mediating mechanism through which CPA generates differentiated sustainability outcomes, thereby clarifying the process through which nonmarket strategies operate. Third, by integrating institutional logics with governance and developmental contingencies, we provide a context-sensitive explanation of how and when political engagement supports or undermines sustainability in institutionally complex environments (Lawton et al., 2013; Mellahi et al., 2016; Shirodkar et al., 2022).

2. Theoretical background and hypothesis development

2.1. Multinational enterprises and corporate sustainability: institutional logics perspective

The growing responsibility of firms for their environmental, social, and economic impacts has intensified scholarly attention to sustainability within IB. Although awareness of the social and environmental implications of IB is longstanding, recent global economic, social, and ecological challenges have renewed urgency in examining MNEs contribute to sustainable development (Fernhaber & Zou, 2022; Liu & Heugens, 2023). Sustainability involves meeting present needs without compromising the ability of future generations to meet their own (Wijethilake, 2017). Given their extensive cross-border operations and influence across diverse institutional environments, MNEs are increasingly expected to adopt responsible practices and contribute positively to sustainable development (Grinstein & Riefler, 2015; Linnenluecke & Griffiths, 2010).

Early research on corporate sustainability emphasized green management and adopted a systems perspective, viewing firms as embedded in broader macroeconomic, political, societal, and ecological systems (Liu & Heugens, 2023). More recently, sustainability scholarship has converged with CSR research (Bansal & Song, 2017). CSR focuses on generating social benefits that enhance organizational performance regardless of motive (Mellahi et al., 2016), while corporate environmental activity concerns firms' deliberate efforts to safeguard and improve the natural environment in alignment with strategic interests (Holtbrügge & Dögl, 2012). Despite this convergence, a systems perspective remains essential for understanding sustainability in a globalized context where MNEs operate across multiple institutional environments and stakeholder networks.

IB scholars have examined corporate sustainability through diverse theoretical lenses (Barkemeyer et al., 2015; Kolk, 2016; Linnenluecke & Griffiths, 2010). A dominant stream relies on institutional theory to explain cross-national differences in sustainability practices, emphasizing firms' embeddedness in home and host institutional frameworks (Frynas & Stephens, 2015; Surroca et al., 2013). Research has also considered institutional distance as a mediating factor in sustainability adoption (Campbell et al., 2012) and identified firm-level drivers and outcomes of sustainability integration (Pisani et al., 2017). However, prior work has insufficiently theorized the interaction among the economic, social, and environmental dimensions of sustainability (Wijethilake, 2017), particularly in contexts characterized by competing institutional pressures.

In this study, we draw on the institutional logics perspective to examine how CPA shapes sustainability performance. Institutional logics are historically constructed patterns of material practices, values, and assumptions that guide organizational attention, legitimacy, and

resource allocation (Lounsbury, et al., 2021; Thornton & Ocasio, 1999; Thornton et al., 2012). Recent scholarship conceptualizes logics as value-anchored and practice-based institutional phenomena sustained through governance arrangements and shared meaning systems (Lounsbury et al., 2021). Organizations are embedded in multiple, potentially competing logics, and the degree of compatibility between them determines whether they operate as complements or substitutes (Besharov & Smith, 2014). In developing economies, MNE subsidiaries operate at the intersection of a political-instrumental logic that emphasizes access to state actors and regulatory leverage and a stakeholder-accountability logic that prioritizes environmental and social responsibility. CPA enhances political influence, increasing the salience of the political-instrumental logic in subsidiary decision-making. However, the compatibility between this logic and sustainability outcomes differs across sustainability dimensions. Following Vazquez-Brust et al. (2026), political logic may complement economic sustainability objectives while conflicting with environmental and social accountability logics. Sustainability performance therefore reflects the relative dominance and interaction of these competing institutional logics.

Recent research has further examined headquarters–subsidiary dynamics, highlighting how environmental and social practices diffuse across MNE networks (Asmussen & Fosfuri, 2019; Jacqueminet & Durand, 2020). This work suggests that corporate sustainability is embedded within firms' broader nonmarket strategies. Nonmarket strategy encompasses both CPA and CSR, which represent distinct but potentially complementary mechanisms for managing institutional pressures and securing legitimacy. Whereas CSR and sustainability initiatives signal responsiveness to societal expectations, CPA enables firms to shape the regulatory and political environments in which such expectations are constructed and enforced. Conceptualizing sustainability performance within this broader nonmarket framework allows us to move beyond treating CSP as an isolated outcome and instead examine how political engagement and institutional positioning jointly influence sustainability results. While the Triple Bottom Line framework proposes that firms evaluate success across economic, environmental, and social pillars, it primarily offers a normative and reporting-oriented perspective. In contrast, CSP in this study refers to measurable performance outcomes across these three dimensions. Thus, CSP represents an empirical operationalization of sustainability outcomes informed by, but conceptually distinct from, the broader TBL philosophy.

Building on this integrated perspective, our conceptual model (Fig. 1) examines the indirect effect of CPA on CSP through political influence and investigates two boundary conditions, equity control and economic development, that shape the relationship between political influence and sustainability performance.

2.2. Corporate political activity and sustainability performance

As a core nonmarket strategic instrument, CPA enables firms to shape and respond to the institutional environments in which they operate (Du et al., 2019; Mellahi et al., 2016). We distinguish between CPA and political influence. CPA refers to the deliberate actions firms undertake to engage political actors and shape policy environments (Adomako et al., 2023a; Mellahi et al., 2016; Sun et al., 2021), whereas political influence reflects the firm's capacity or effectiveness in affecting political decisions and regulatory outcomes (Luo & Junkunc, 2008). Conceptually, CPA represents the strategic input, while political influence captures the mechanism through which such engagement translates into performance consequences.

Within the broader nonmarket strategy framework, CPA is not merely episodic political behavior but a strategic tool through which MNEs manage institutional constraints, secure legitimacy, and obtain preferential access to resources. Prior research suggests that CPA helps firms navigate voids in both formal and informal institutions (Webb et al., 2020). Through engagement with formal political institutions, firms can influence the enforcement and design of laws and regulations (Boso et al., 2023; Liou & Brown, & Hasija, 2021). Political contributions, lobbying, and collaboration with policymakers enable firms to align regulatory outcomes with their strategic interests (Hillman et al., 2004; Sutton et al., 2021). By reducing policy uncertainty and mitigating adverse regulatory shifts (Pfeffer & Salancik, 1978), CPA can create valuable and difficult-to-replicate political resources (Mellahi et al., 2016), buffer firms against institutional adversity (Lawton et al., 2013), and reduce failure risk (Kostovetsky, 2015).

However, the implications of CPA differ across sustainability dimensions. With respect to environmental sustainability, substantial political engagement may incentivize firms to lobby against stringent environmental regulations or delay regulatory enforcement (Delmas et al., 2016; Hadani et al., 2018). Particularly in developing contexts where regulatory enforcement is weaker, MNEs may use CPA to shape environmental standards in ways that lower compliance costs (Grey, 2018; Choi & Il Park, 2014). Such strategic behavior can reduce pressure for environmental responsibility and negatively affect environmental sustainability performance.

Similarly, CPA may undermine social sustainability when political engagement prioritizes economic gains over social welfare considerations. In sub-Saharan Africa, where firms frequently engage in political activities to secure economic advantages (An et al., 2021; Liedong et al., 2023), political influence may be directed toward policies that favor cost reductions or regulatory flexibility rather than social responsibility. This may manifest in limited investment in community development, weakened labor protections, or policies that contribute to unequal distribution of economic benefits (Delmas et al., 2016; Rajwani & Liedong, 2015). When CPA disproportionately emphasizes economic objectives, social sustainability initiatives may receive diminished attention, thereby negatively affecting social sustainability performance.

In contrast, CPA may positively influence economic sustainability performance. By lobbying for tax incentives, subsidies, favorable contractual terms, or reduced regulatory constraints, MNE subsidiaries can shape market conditions that enhance competitiveness and long-term profitability (De Villa et al., 2019; Sun et al., 2021). Political

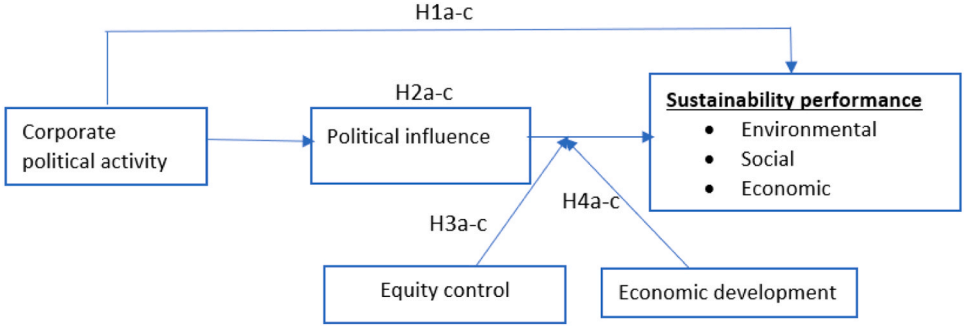

Fig. 1. Conceptual model.

engagement provides access to valuable resources, preferential treatment, and regulatory predictability (Rajwani & Liedong, 2015; Shirodkar et al., 2022). Through such mechanisms, CPA can translate into improved economic sustainability outcomes by fostering stable and profitable operating environments (Acquaah, 2007; Adomako et al., 2023a). Thus, CPA represents a strategic nonmarket tool that differentially affects sustainability dimensions. While it may undermine environmental and social sustainability when oriented primarily toward regulatory leniency and economic advantage, it can enhance economic sustainability by shaping favorable institutional conditions. Accordingly, we propose:

H1a. **:** CPA is negatively related to environmental sustainability performance

H1c: CPA is positively related to economic sustainability performance

1b: CPA is negatively related to social sustainability performance

2.3. Mediating effect of political influence

MNEs, through CPA, actively engage with formal political institutions to shape and influence regulatory frameworks in host countries (Boso et al., 2023; Donbesuur et al., 2023). Political influence refers to the capacity of an MNE to shape political processes, decisions, and policy outcomes within the host-country environment (Luo & Junkunc, 2008). Given their substantial economic resources and organizational capabilities, MNEs can deploy various political strategies to advance strategic interests (Campbell et al., 2012; Meyer, 2004). Such influence may occur through direct interactions with formal political institutions, including government agencies and regulatory bodies (Schnyder & Sallai, 2020; Yu & Lee, 2021), as well as through engagement with informal political actors such as local leaders, community influencers, and non-governmental organizations.

From an institutional logics perspective, CPA activates a political-instrumental logic centered on access, control, and strategic advantage. In institutionally constrained environments, particularly in parts of sub-Saharan Africa, political influence becomes a critical mechanism for navigating regulatory uncertainty and resource scarcity (Mbalyohere & Lawton, 2018; Mbalyohere et al., 2017). Compared to institutionally munificent developed economies (Chu et al., 2007; Julian & Ofori-Dankwa, 2013), many African markets are characterized by limited access to capital, small and illiquid stock markets, and weaker enforcement capacity. In such contexts, MNEs may leverage political influence to secure tax incentives, government contracts, regulatory flexibility, or preferential access to resources (Nyiawung, 2021; Onaji-Benson, 2019). This strategic deployment of political influence is often oriented toward economic gains rather than social or environmental objectives (Fabig & Boele, 1999; Julian & Ofori-Dankwa, 2013).

The implications of political influence vary across sustainability dimensions. With respect to environmental sustainability, political engagement may enable firms to negotiate regulatory leniency, delay enforcement, or shape standards in ways that reduce compliance costs. In contexts where environmental oversight is weak, such influence may weaken environmental accountability and negatively affect environmental sustainability performance (Acquaah, 2007; Boso et al., 2023). Similarly, given that governmental and societal pressure for CSR remains comparatively limited in parts of sub-Saharan Africa (Julian & Ofori-Dankwa, 2013), political influence may reduce incentives for substantive social investment, thereby negatively affecting social sustainability performance.

In contrast, political influence may positively affect economic sustainability performance. MNEs frequently align political engagement with strategies aimed at enhancing competitiveness and long-term profitability (Lawton et al., 2013; Shirodkar et al., 2022). By shaping regulations, securing incentives, and influencing market conditions, subsidiaries can create more stable and favorable economic environments (Dahan et al., 2013; Tyllström & Murray, 2021). As MNEs influence policy formation to align with strategic economic objectives (Boso et al., 2023; Heckelman & Wilson, 2013), political influence becomes a mechanism through which CPA translates into tangible and sustainable economic outcomes.Thus, political influence functions as the mechanism that channels CPA into multidimensional sustainability consequences. However, its effects differ across environmental, social, and economic domains depending on how political engagement interacts with local institutional conditions and stakeholder expectations. Taken together, we suggest that:

H2a. The relationship between CPA and environmental sustainability performance is mediated by MNEs' political influence, such that high CPA has a positive effect on MNEs' political influence, which diminishes environmental sustainability performance.

H2b. The relationship between CPA and social sustainability performance is mediated by MNEs' political influence, such that high CPA has a positive effect on MNEs' political influence, which diminishes social sustainability performance.

H2c. : The relationship between CPA and economic sustainability performance is mediated by MNEs' political influence, such that high CPA has a positive effect on MNEs' political influence, which enhances economic sustainability performance.

2.4. Moderating role of parent equity control

Foreign and local partners involved in establishing a subsidiary often pursue divergent objectives, creating the potential for opportunistic behavior and agency conflicts (Cuervo-Cazurra et al., 2019; Demirbag et al., 2009; Luo, 2007). Agency theory conceptualizes the firm as a nexus of contracts in which governance mechanisms align managerial decisions with owners' interests (Jensen & Meckling, 1976). Within MNEs, parent equity control represents a central internal governance mechanism that shapes subsidiaries' strategic discretion, risk tolerance, and performance priorities. By increasing ownership stakes, foreign parents enhance their ability to monitor managers, structure incentives, and directly influence strategic decision-making (Chen et al., 2014; O'Donnell, 2000).

Beyond aligning interests, parent equity control also operates as a governance structure that privileges particular institutional logics within the subsidiary. Institutional logics gain authority through governance arrangements that reinforce specific values and practices (Lounsbury et al., 2021). In institutionally adverse environments, governance structures shape how firms respond to sustainability pressures and trade-offs (Nwoba et al., 2021). When foreign parent equity control is high, headquarters gain greater capacity to define performance criteria, allocate resources, and direct managerial attention toward preferred strategic objectives (Björkman et al., 2004). Particularly in developing economies characterized by institutional voids and operational uncertainty, foreign parents often prioritize financial performance and competitive positioning (Boardman et al., 1997). Stronger equity control therefore increases the dominance of an economically oriented and politically instrumental logic within the subsidiary.

Drawing on the logic-compatibility perspective (Vazquez-Brust et al., 2026), we argue that the consequences of political influence depend on how the political-instrumental logic interacts with stakeholder-accountability logics underpinning sustainability. Political influence may provide subsidiaries with regulatory flexibility, privileged access, and resource advantages. Under stronger parent equity control, this political-instrumental logic is more likely to shape how such influence is deployed.

Economic sustainability is largely compatible with the political-instrumental logic. Political access can facilitate favorable contracts, regulatory stability, and competitive advantages that support long-term economic performance. When equity control is higher, political

engagement is more tightly coordinated with headquarters' economic objectives, thereby amplifying the positive relationship between political influence and economic sustainability performance. By contrast, environmental and social sustainability are rooted in stakeholder-accountability logics that emphasize transparency, compliance, and normative legitimacy. In institutionally challenging contexts, firms often face trade-offs between short-term economic gains and long-term sustainability commitments (Nwoba et al., 2021). Politically driven strategies aimed at securing regulatory leniency or selective enforcement may conflict with environmental and social accountability expectations. When parent equity control reinforces the political-instrumental logic (Lounsbury et al., 2021; Thornton & Ocasio, 1999), managerial attention shifts toward economic priorities, reducing the salience of environmental and social commitments. Consequently, stronger equity control intensifies the negative effects of political influence on environmental and social sustainability performance. Parent equity control therefore functions as a governance-based boundary condition that shapes which institutional logic becomes dominant in the subsidiary and how political influence translates into multidimensional sustainability outcomes. Specifically, we hypothesize:

H3a. The negative effect of an MNE's political influence on environmental sustainability performance is stronger when parent equity control is higher.

H3b. The negative effect of an MNE's political influence on social sustainability performance is stronger when parent equity control is higher.

H3c. The positive effect of an MNE's political influence on economic sustainability performance is stronger when parent equity control is higher.

2.5. Moderating role of economic development

Institutional logics are embedded in broader societal orders characterized by distinct value systems, governance arrangements, and regulatory infrastructures (Lounsbury et al., 2021). A country's level of economic development reflects its degree of industrialization, institutional maturity, and income level (Cateora & Graham, 2001; Zhou et al., 2007). Developed economies are typically characterized by advanced industrial systems, strong regulatory enforcement, and high levels of institutional stability (e.g., Canada, Singapore, Japan, UK, USA), whereas developing economies often face institutional gaps, weaker enforcement mechanisms, and resource constraints (e.g., Ghana, Egypt, Saudi Arabia). These differences shape the institutional logics that firms internalize and enact.

From an institutional logics perspective, firms are imprinted by the dominant logics of their home environments. MNEs originating from highly developed economies are socialized within institutional contexts marked by strong environmental regulations, active stakeholder scrutiny, and entrenched norms of public accountability (Arbolino et al., 2022; Chen, 2011; Moore et al., 2021; Zhou et al., 2007). These contexts institutionalize stakeholder-accountability logics more deeply, shaping managerial cognition, strategic orientation, and organizational routines. As Lounsbury et al. (2021) argue, logics endure through governance and value systems that define legitimate behavior. Consequently, firms from developed economies are more likely to internalize accountability-oriented values that constrain purely instrumental political behavior.

We argue that the compatibility between political-instrumental and stakeholder-accountability logics varies depending on the institutional imprint of the home economy (Vazquez-Brust et al., 2026). In less developed institutional contexts, political influence may more easily substitute for environmental or social accountability logics. However, when MNEs originate from highly developed economies, the stakeholder-accountability logic remains salient even when firms operate abroad. As a result, political influence is less likely to be used to dilute environmental or social standards and more likely to be aligned with stable, predictable, and legitimacy-enhancing regulatory frameworks. Thus, the negative relationship between political influence and environmental sustainability performance is attenuated as the level of home-country economic development increases.

A similar mechanism applies to social sustainability. Developed economies are characterized by institutionalized stakeholder engagement, strong social welfare systems, and active civil societies (Anttonen et al., 2003; Armingeon & Beyeler, 2004). Firms embedded in such environments face normative expectations to contribute to social well-being and uphold responsible practices (Khojastehpour & Jamali, 2021). These norms become embedded within organizational routines and governance structures, limiting the extent to which political influence can be deployed in ways that undermine social accountability. Consequently, the negative effect of political influence on social sustainability performance weakens as the level of economic development increases.

At the same time, developed economies tend to feature stable political systems, mature financial markets, and well-defined regulatory frameworks that support economic efficiency and long-term growth (Boso et al., 2023; Julian & Ofori-Dankwa, 2013; Shamir, 2011). In such institutional contexts, political engagement is more rule-bound and transparent. The political-instrumental logic therefore becomes more compatible with long-term economic sustainability objectives, such as innovation, investment security, and regulatory predictability. Firms originating from these environments are more likely to possess institutional capabilities that allow them to translate political access into sustainable economic gains rather than short-term opportunism. Accordingly, the positive relationship between political influence and economic sustainability performance strengthens as the level of economic development increases. We therefore hypothesize:

H4a. The more developed the economy, the weaker the negative effect of an MNE's political influence on environmental sustainability performance.

H4b. The more developed the economy, the weaker the negative effect of an MNE's political influence on social sustainability performance.

H4c. The more developed the economy, the stronger the positive effect of an MNE's political influence on economic sustainability performance.

3. Method

3.1. Sample and data collection

Data were collected from foreign subsidiaries operating in four African countries (i.e., Ghana, Nigeria, Kenya, and Ethiopia). We focused on these countries for several reasons. First, to be able to achieve language equivalence in the sub-region, we selected only English-speaking countries (Boso et al., 2023). Second, Ghana, Nigeria, Ethiopia, and Kenya have experienced similar economic growth rates in recent years. For instance, according to the World Bank, Ghana's GDP growth rate was 3.3% in 2020, Nigeria's was 1.5%, Ethiopia's was 6.1%, and Kenya's was 0.6% (World Bank, 2021). Third, these countries also share similar country risk profiles, with all of them being classified as high-risk countries by the World Bank and the International Monetary Fund (IMF) (IMF, 2023; World Bank, 2020). Fourth, these four economies provide a strategically relevant setting for examining nonmarket strategy because they exemplify the weak institutional environments, characterized by underdeveloped legal and regulatory frameworks, weak enforcement mechanisms, and firms' reliance on informal political and relational ties, in which corporate political activity is most consequential (An et al., 2024; Liedong et al., 2020). Such contexts have been identified as fertile yet underexplored settings for studying how firms deploy political strategies to manage institutional uncertainty (An et al.,

2024; Liedong et al., 2020).

In Ghana, our sample was drawn conveniently from the Ghana Investment Promotion Authority, whereas in Nigeria, we derived our sampling frame from the Nigerian Investment Commission. In Kenya, we utilized the Foreign Enterprises Directory as the basis for our sample, and in Ethiopia, the sampling frame was developed in collaboration with the Ethiopian Investment Commission. The choice of the convenience sampling method was driven by the accessibility of MNEs during the survey period and the willingness of CEOs and top managers to participate in the study. The selected countries have embarked on several regulatory reforms to improve manufacturing and international business activities (World Bank, 2020; Adomako et al., 2020).

We employed a convenient sampling approach to select 181 firms in Ghana, 277 in Nigeria, 214 in Kenya, and 290 in Ethiopia, all of which willingly agreed to be interviewed on-site. To enhance the sample's relevance, we applied three specific selection criteria for qualifying firms. First, recognizing the substantial impact of MNEs on the environment and society (George & Schillebeeckx, 2022; Shapiro et al., 2018), our sample was confined to foreign subsidiaries engaged in manufacturing activities. Second, eligibility was restricted to foreign subsidiaries that had been operating in the selected countries for a duration of two or more years. Third, we exclusively selected MNEs with comprehensive CEO/senior managers' contact information. Invitations to participate in our survey were extended to firms meeting these criteria, and contact was established via telephone. During these calls, we sought the cooperation of their executives for study participation, incentivizing their involvement with the promise of an individualized report on the study's findings.

Our data collection process involved a team of trained data research assistants, overseen by the research team to ensure precision in gathering information from the designated MNEs in our sample frame (Adomako et al., 2017; Boso et al., 2023). To confirm participation, we reached out to CEOs/senior executives of the included MNEs via phone calls. In early 2022, we delivered questionnaires to CEOs/senior executives and finance directors during face-to-face interactions to collect information on the variables of interest. The data collection occurred in two waves to adhere to conventional practices in mediation analysis (MacKinnon et al., 2012; Michaelis et al., 2020) and mitigate common method variance (Podsakoff et al., 2003, 2012). At wave 1 (t1), CEOs/senior executives provided information on political influence, CPA, economic development, equity control, and control variables. Three months later at wave 2 (t2), information on the dependent variable was collected through face-to-face surveys from senior executives responsible for corporate affairs or finance managers identified in the t1 survey. Despite two reminders, we obtained 78 responses from Ghana (firms contacted: 181; response rate: 43.09%), 102 from Nigeria (firms contacted: 277; response rate: 36.82%), 92 from Kenya (firms contacted: 214; response rate: 42.99%), and 76 from Ethiopia (firms contacted: 290; response rate: 26.20%), totalling 348 responses out of 962 firms contacted (overall response rate: 36.17%). The variation in response rates across countries reflects contextual differences in data collection conditions rather than systematic differences in the underlying constructs. In particular, differences in accessibility to subsidiaries, organizational gatekeeping practices, and varying levels of survey responsiveness contributed to the lower response rate observed in Ethiopia relative to the other countries. These variations are consistent with prior survey-based research conducted in developing economies (Adomako et al., 2020; Boso et al., 2023). Importantly, additional robustness checks indicate that the differences in response rates do not materially affect the study's results.

Data collection occurred simultaneously across all countries from February to October 2022 to ensure temporal equivalence (Engelen et al., 2015; Hult et al., 2008). To validate respondent positions, we randomly selected a subsample of 60 by visiting the companies' websites, confirming that the respondents were CEOs/senior executives and finance directors or corporate affairs directors, representing top management team members of the sampled firms. Our sample comprised partially owned firms (48.5%) and wholly owned subsidiaries (51.5%). Among the firms, 48% were from the OECD, while 52% constituted firms from non-OECD countries. The average employee count was 282, with an average CPA expenditure in sub-Saharan African market operations at 5%.

3.2. Measures

Unless otherwise stated, all the multi-item measures were captured with a five-point Likert scale. Table 2 presents all the multi-item measures, reliability, and validity.

3.2.1. Political influence

We measured a firm's level of political influence with four items adapted from Luo and Junkunc (2008). A sample item is "our firm typically influences the executive body of government, on the content of new laws, rules, regulations, or decree being discussed that could have a substantial impact on your business''.

3.2.2. Corporate political activity

We developed three items to measure CPA based on an extensive literature review (e.g., Delmas et al., 2016; Rivera & Patnaik, 2017). Respondents were asked to indicate the percentage of the subsidiary's budget spent on political campaigns or activities. A sample item is "the percentage of total dollar income spent on political campaigns/activities

Table 1
Sample details of OECD and non-OECD countries.

Countries	OECD country	Sample frequency	%
Australia	Yes	7	2.01
Belgium	Yes	5	1.44
Denmark	Yes	8	2.30
Finland	Yes	7	2.01
France	Yes	5	1.44
Germany	Yes	13	3.74
Republic of Ireland	Yes	10	2.87
Netherlands	Yes	21	6.03
New Zealand	Yes	6	1.72
Poland	Yes	4	1.15
Portugal	Yes	9	2.59
New Zealand	Yes	5	1.44
Singapore	Yes	10	2.87
South Korea	Yes	15	4.31
Spain	Yes	3	0.86
Sweden	Yes	5	1.44
Switzerland	Yes	10	2.87
Turkey	Yes	13	3.74
United Kingdom	Yes	15	4.31
United States	Yes	23	6.61
Bahrain	No	4	1.15
Brazil	No	13	3.74
China	No	33	9.48
Egypt	No	3	0.86
India	No	11	3.16
Indonesia	No	7	2.01
Ivory Coast	No	5	1.44
Malaysia	No	8	2.30
Mauritius	No	3	0.86
Morocco	No	5	1.44
Tunisia	No	12	3.45
Oman	No	6	1.72
Peru	No	4	1.15
Saudi Arabia	No	9	2.59
Senegal	No	6	1.72
South Africa	No	7	2.01
Sri Lanka	No	2	0.57
Thailand	No	5	1.44
Trinidad and Tobago	No	5	1.44
Uganda	No	3	0.86
Vietnam	No	3	0.86
Total	N/A	348	100.00

Table 2
Constructs, reliability, and validity.

Details of measurement items	Factor loading	Cronbach's α	CR	AVE
Political influence (Luo & Junkunc, 2008)		0.94	0.94	0.81
Please indicate your level of agreement with these statements related to your company. Our firm typically influences over…….				
…. the executive body of government, on the content of new laws, rules, regulations, or decrees being discussed that could have a substantial impact on our business	0.89			
….legislature authorities, on the content of new laws, rules, regulations, or decrees being discussed that could have a substantial impact on our business	0.93			
…. industrial ministries or departments, on the content of new laws, rules, regulations, or decrees being discussed that could have a substantial impact on our business	0.92			
……regulatory agencies on the content of new laws, rules, regulations, or decrees being discussed that could have a substantial impact on our business	0.87			
Environmental sustainability performance (Wijethilake, 2017)		0.92	0.90	0.71
Please indicate your level of agreement with these statements related to your company.				
Complying with environmental regulations	0.80			
Preventing and mitigating environmental crises	0.90			
Educating employees and the public about the environment	0.87			
Limiting environmental impact beyond regulatory compliance	0.78			
Social sustainability performance (Wijethilake, 2017)		0.95	0.95	0.75
Considered interests of stakeholders in investments by creating a formal dialogue	0.81			
Communicated the firm's environmental impacts and risks to the public	0.88			
Protected claims and rights of the local community	0.92			
Showed concern for the visual aspects of the firm's facilities and operations	0.90			
Recognized and acted on the need to fund local community initiatives	0.83			
Competitive intensity (Jansen et al., 2006)		0.85	0.83	0.64
Please indicate your level of agreement with these statements related to your company's local business environment.				
Competition in our local market is intense	0.86			
Our organizational unit has relatively strong competitors	0.76			
Competitors are constantly trying out new competitive strategies	0.75			
Slack resources: (Troilo et al., 2014)		0.92	0.85	0.65
Please indicate the extent to which you agree with the following statements referred to your firm over the last three years				
We have a large amount of resources available in the short run to fund our initiatives.	0.74			
We have uncommitted resources that can be used to fund strategic initiatives at short notice	0.95			
We will have no problems obtaining resources at short notice to support new strategic initiatives	0.71			

Note: AVE=average variance extracted; CR=composite reliability

in the last three years''. In the end, the average percentage of the three items were used to measure corporate political activity

3.2.3. Economic development

Our sample consists of 348 MNEs from 41 countries and these countries vary in terms of economic development. Given the pressures on MNEs such as the saturation of the domestic market and global integration, MNEs from the OECD and non-OECD countries have expanded their foreign operations by establishing foreign subsidiaries (Lee et al., 2009). Previous research has argued that economically developed countries come from the Organization for Economic Cooperation and Development (OECD), whereas less developed countries do not. Following Zhou, et al. (2007), we coded OECD membership as developed (OECD=1) and non-OECD membership as developing (OECD=0) markets. In our sample, 56% is from 20 OECD and 44% from 21 non-OECD markets.

3.2.4. Foreign parent equity control

We followed precedence in operationalizing equity control (Chen et al., 2014). Accordingly, foreign equity control was measured as foreign ownership, or the percentage of shares owned by MNEs' headquarters. CEOs were asked to state foreign ownership or the percentage of shares owned by the headquarters of the firm.

3.2.5. Corporate sustainability performance

Previous studies have measured sustainability using three dimensions (i.e., environmental, social, and economic performance) (see Wijethilake, 2017). According to Dess and Robinson (1984), subjective measures have proven to be valuable in evaluating the wider, non-financial aspects of performance, as they are usually more accessible and exhibit strong reliability and validity. In contrast, objective performance measures are less susceptible to common method bias and are particularly useful in evaluating a venture's financial performance. However, obtaining and interpreting objective indicators for new ventures can be challenging (Chandler & Hanks, 1993). To capitalize on the unique strengths of both measures, this study employed both subjective and objective measures.

First, we measured environmental performance using four perceptual items from Judge and Douglas (1998). Responses were received on a seven-point Likert scale ranging from 1 =to a low extent to 7 =to a very high extent. Second, we measured social performance with five perceptual items from Wijethilake (2017) using a seven-point Likert scale (1 =to a low extent to 7 = to a very high extent). Third, we used objective sales data to measure economic performance. Specifically, we measured economic performance by using a 2-year cumulative percentage in sales during 2020 and 2021 (Covin et al., 2006; Venkatraman & Ramanujam, 1987). Following Mishina et al. (2004), we calculated sales growth as follows:

$$Sales\ growth = \frac{Sales_{t+1} - Sales_{t-1}}{Sales_{t-1}}$$

where $t-1$ is the end of the year 2020 and $t+1$ is the end of the year 2021. Finance directors were asked to provide answers to the other two

dimensions sustainability performance questions.

3.2.6. Control variables

We controlled for firm size, firm age, slack resources, CEO age, competitive intensity in the local business environment, and educational level of the CEO. These variables have been found to influence sustainability performance (Russo & Fouts, 1997; Shevchenko et al., 2016). Firm size was measured by using the logarithm of the number of employees, whilst firm age was measured as a logarithm of the number of years since a firm's inception (Akgün et al., 2012). Organizational slack was measured with three items from Troilo et al. (2014). The competitive intensity construct was measured with four items from Jansen et al. (2006). Educational level of the CEO was measured as follows (1 = high school, 2 = bachelor's degree, 3 = master's degree, and 4 = doctoral degree).

3.3. Measurement invariance assessment

The assessment of measurement invariance in the data followed established practices (e.g., Steenkamp & Baumgartner, 1998). The total sample was bifurcated into two groups (i.e., OECD countries and non-OECD countries) to scrutinize measurement invariance (Ma et al., 2011). Utilizing a configural model as our baseline, we examined configural, metric, scalar, factor variance, and error variance invariance for each construct. Model fit was evaluated using the χ^2 difference test along with other fit indices (RMSEA, NFI, CFI, and consistent Akaike information criterion) (Steenkamp & Baumgartner, 1998). The outcomes of the measurement invariance assessment (Table 3, Panel A) indicate robustness across both OECD and non-OECD countries. Specifically, Table 3, Panel A reveals that both samples demonstrated factor variance and error variance invariances for the social performance construct. Furthermore, Table 3, Panel B illustrates that none of the $\chi 2$ difference tests reached significance. Further analyses affirm configural, metric, scalar, factor variance, and error variance invariances for all items across both samples. This collective evidence suggests that the items and constructs exhibit equal reliability across the samples, confirming the appropriateness of using these measures for hypothesis testing.

3.4. Potential biases, reliability, and validity assessment

While employing the key informant approach in alignment with previous studies (e.g., Adomako, et al., 2023b), we took additional measures to assess the validity of key responses and ensure they were unbiased. A total of 60 managers from the sampled firms were contacted to complete the survey instrument. The obtained interclass correction coefficients (ICC) for political influence (ICC(1) = 0.45, $p < 0.01$; ICC (2) = 0.59, $p < 0.01$), CPA (ICC(1) = 0.38, $p < 0.01$; ICC(2) = 0.56, $p < 0.01$), social performance (ICC(1) = 0.47, $p < 0.01$; ICC(2) = 0.60, $p < 0.01$), and environmental performance (ICC(1) = 0.45, $p < 0.01$; ICC(2) = 0.61, $p < 0.01$) indicated high interrater reliability, affirming the reliability of survey information used in the study (Bliese, 1998). To address non-response bias, we compared early and late respondents for the final sample using Pearson's chi-square test (Greenwood & Nikulin, 1996). No significant differences were observed in variables such as OECD status, firm size, and firm age, indicating that non-response bias was not a significant concern (Armstrong & Overton, 1977).

To assess potential common method variance (CMV), we followed the suggestions outlined by Podsakoff et al. (2012). Randomization of item placement was employed to prevent respondents from detecting potential relationships between main variables. Additionally, the marker test was applied, and no significant correlations were found between the marker variable ("I like yellow") and substantive constructs in the study (Lindell & Whitney, 2001). Model fit indices for the measurement model and the marker variable model were both acceptable, and the inclusion of the marker variable did not significantly change the model fit. Furthermore, discriminant validity was confirmed through a comparison of a five-factor model with different models (Table 4), indicating support for the discriminant validity of the constructs. Lastly, no correlation exceeded the square root of the average variance extracted (AVE) for each construct, providing additional support for discriminant validity and indicating that CMV is not a threat to the analyses.

4. Results

In our analysis, we employed both regression analysis and the PROCESS macro to assess the hypothesized relationships, including direct, mediating, and moderating effects. Specifically, we tested H1a–H1c, H3a–H3c, and H4a–H4c using regression analysis, while H2a–H2c were assessed using the PROCESS macro (Model 4) (Hayes, 2013; Preacher & Hayes, 2008). Two interaction terms, (1) equity control x political influence and (2) OECD status x political influence, were created to examine moderating effects, utilizing the mean-centering approach. Table 5 presents the correlations, while Tables 6 and 7 display the results for our regression analysis and PROCESS macro estimations, respectively.

Hypothesis 1a. posited that CPA is negatively related to environmental sustainability performance. The results in Table 6 support this hypothesis ($\beta = -0.30$, t-value = −5.96, $p < 0.001$). Hypothesis 1b, predicting a negative relationship between CPA and social sustainability performance, is also supported ($\beta = -0.12$, t-value = −2.18, $p < 0.05$). Hypothesis H1c, stating a positive relationship between CPA and economic sustainability performance, is also supported ($\beta = 0.25$, t-value = 4.65, $p < 0.001$).

For the mediation hypotheses (H2a, H2b, and H2c), we used the PROCESS macro (Hayes, 2013) and estimated 95% bias-corrected confidence intervals (CI) for indirect effects through bootstrapping 5000

Table 3
Establishment of measurement invariance.

Panel A: An example of test procedure: "social performance" across OECD and non-OECD countries						
Model	χ^2 (d.f.)	*p*-value	RMSEA	NFI	CFI	CAIC
Configural invariance	12.12 (4)	0.03	0.04	0.92	0.98	119.40
Metric invariance	14.11 (6)	0.03	0.05	0.93	0.99	122.39
Scalar invariance	26.09 (12)	0.00	0.06	0.95	0.97	132.62
Factor variance invariance	25.22 (11)	0.00	0.04	0.94	0.98	118.39
Error variance invariance	29.14 (14)	0.02	0.03	0.93	0.97	126.21
Panel B: Test results of all constructs between OECD and non-OECD countries						
$\Delta\chi^2$ difference test						
	Factor versus configural	Error versus scalar metric	Variance versus metric	Variance versus scalar	Factor variance	
Political influence	$\chi^2 = 21.16(16)$	$\Delta\chi^2$ (3) = 1.36, $p = 0.79$	$\Delta\chi^2$ (3) = 8.31, $p = 0.12$	$\Delta\chi^2$ 2) = 0.72, $p = 0.79$	$\Delta\chi^2$ (3) = 1.17 $p = 0.76$	
Social performance	$\chi^2 = 25.11(11)$	$\Delta\chi^2$ ((3) = 2.00, $p = 0.35$	$\Delta\chi^2$ (3) = 5.60, $p = 0.12$	$\Delta\chi^2$ (3) = 11.82, $p = 0.11$	$\Delta\chi^2$ 2) = 0.62, $p = 0.71$	
Environmental performance	$\chi^2 = 20.59(13)$	$\Delta\chi^2$ ((3) = 2.07, $p = 0.30$	$\Delta\chi^2$ (3) = 5.60, $p = 0.12$	$\Delta\chi^2$ (3) = 11.82, $p = 0.11$	$\Delta\chi^2$ 2) = 0.62, $p = 0.71$	

$\chi 2$ = chi-square statistic; d.f. = degrees of freedom; CAIC = consistent Akaike information criterion; CFI = comparative fit index; NNFI = non-normed fit index; RMSEA = root mean square error of approximation.

Table 4
Results of the CFA model comparisons.

CFA model	χ^2	Df	χ^2/df	*p*-value	RMSEA	SRMR	NFI	CFI
Hypothesised five-factor model (pol, compet, slack, social, envi)	1654.77	992	1.66	0.00	0.05	0.06	0.95	0.98
Three-factor model (pol+compe, social+slack, envi)	2123.22	743	2.85	0.00	0.09	11	0.39	0.56
Two-factor model (pol+compe+social, slack+envi)	2214.10	689	3.213	0.01	0.08	14	0.35	0.55
One-factor model (pol+compe+social+envi)	2457.39	669	3.67	0.00	0.10	0.12	0.63	0.60

Note: pol=political influence; compe=competitive intensity; slack=organizational slack; social= social sustainability performance; envi= environmental sustainability performance. $^{***}p < 0.001$

Table 5
Descriptive statistics and correlations (square root of AVE in the diagonal).

No.	*Variable*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*
1	Firm size (log)												
2	Firm age (log)	0.13											
3	Slack resources	0.06	0.04	**0.81**									
4	Competitive intensity	0.01	0.02	0.06	**0.80**								
5	Education	0.02	0.06	0.03	0.11*								
6	Political influence	−0.07	−0.09	0.05	0.01	−0.13*	**0.90**						
7	Corporate political activity$^{\alpha}$	0.16**	0.10*	0.02	0.00	0.05	0.18**						
8	Equity control$^{\alpha}$	0.03	−0.03	0.03	−0.01	−0.09	−0.01	0.06					
9	Environmental performance	−0.10*	−0.04	0.19**	0.05	−0.06	−0.20**	−0.32***	0.06	**0.84**			
10	Social performance	0.06	−0.02	−0.06	0.01	0.02	−0.17*	−0.10*	0.02	0.26***	**0.87**		
11	Economic performance (2-year sales growth) (log)	−0.04	−0.14*	−0.02	0.07	0.05	0.41***	0.22***	−0.08	−0.09	0.01		
12	OECD	0.06	0.10	0.05	0.01	0.00	−0.06	−0.02	−0.04	0.13*	0.09	−0.05	
	Mean	5.34	3.12	4.95	4.28	---	4.92	0.05	0.42	5.05	4.76	9.65	---
	SD	0.80	0.56	1.24	1.29	---	1.58	0.02	0.08	1.14	1.47	1.37	---

$^{*}p < 0.05$
$^{**}p < 0.01$
*** p < 0.001; SD = Standard deviation. α= the mean value for this construct can be interpreted as a percentage

samples. The results in Table 7 support Hypotheses 2a, 2b, and 2c, indicating that MNEs' political influence mediates the relationship between CPA and environmental, social, and economic sustainability performance, respectively. Hypothesis 3a predicted that the negative effect of MNEs' political influence on environmental sustainability performance would be amplified when equity control is stronger, but the interaction term is non-significant (β = 0.01, t-value = 0.21, p > 0.05). Hypothesis 3b, predicting a stronger negative effect on social sustainability performance with stronger parent equity control, is not supported (β = −0.04, t-value = −0.66, p > 0.05). However, Hypothesis 3c, stating that the positive effect on economic sustainability performance would be amplified with stronger parent equity control, is supported (β = 0.15, t-value = 3.23, p < 0.01).

Hypothesis 4a. posited that the negative effect of MNEs' political influence on environmental sustainability performance would be attenuated in more developed economies, and the results in Table 7 support this hypothesis (β = 0.18, t-value = 2.4, p < 0.01). Hypothesis 4b, predicting a reduced negative effect on social sustainability performance in more developed economies, is also supported (β = 0.27, t-value = 2.81, p < 0.01). Finally, Hypothesis 4c, stating an improved positive effect on economic sustainability performance in more developed economies, is not supported (β = −0.03, t-value = −0.47, p > 0.05). To explain the direction of the interaction effects, we utilized conventional methods to graph simple slopes (Figs. 2–4) at one standard deviation below and above the mean of the moderators (Aiken & West, 1991).

4.1. Supplementary analyses

In addition to hypothesis testing, we conducted supplementary tests to enhance the robustness of our conceptual model. Our analysis went beyond the standard practice of mean centering and checking multicollinearity through VIF values. Instead, we simultaneously incorporated all interaction terms in the regression equation, demonstrating consistency between the interaction terms in the main and interaction term models. This suggests that our regression models are robust, even considering the possibility of multicollinearity when common variables are included in interaction terms (Echambadi & Hess, 2007; De Clercq et al., 2016).

To address potential issues related to omitted variables and endogeneity resulting from reverse causality, we employed the instrumental variable approach following Semadeni et al. (2014) method. Two instruments, industry competition and company size, were chosen as they could predict the independent variable (CPA) while being unrelated to the dependent variables (sustainability performance). Industry competition and company size were considered relevant and exogenous, supported by a significant F-test (F=12.17) exceeding the recommended threshold value. The Durbin-Wu-Hausman test confirmed the exogeneity of CPA, and the Sargan test validated the instruments for both the first and second stages using the 2SLS approach.

Recognizing challenges associated with survey research on CEOs and top managers, such as reluctance to participate, we acknowledged potential sample bias due to non-responses. To mitigate this concern, we employed Heckman's two-stage procedure, introducing a dichotomous variable in the first stage to identify observations for the second stage. Firm location, firm age, and firm size were included in the probit model of the first stage, with the calculated inverse Mills ratio used as a control in the second stage. The insignificant lambda (β=–0.05, SE=0.30, p = 0.893) indicated no selection bias in our sample. The analysis revealed a positive and significant coefficient for CPA (β=0.20, SE=0.09, p = 0.027).

Table 6
Regression results.

	Dependent variables												
	Political influence	**Economic performance**				**Social performance**				**Environmental performance**			
Independent variables	*Model 1*	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*	*Model 8*	*Model 9*	*Model 10*	*Model 11*	*Model 12*	*Model 13*
Control paths													
Firm size[A]	−0.10	−0.06	−0.02	−0.03	−0.02	0.09	0.08	0.08	0.08	−0.06	−0.07	−0.08	−0.08
	(−1.79)	(−1.07)	(−0.40)	(−0.53)	(−0.32)	(1.63)	(1.38)	(1.40)	(1.41)	(−1.10)	(−1.45)	(−1.48)	(−1.63)
Firm age	−0.09	−0.16**	−0.13**	−0.12	−0.13**	−0.02	−0.03	−0.03	−0.05	−0.01	−0.03	−0.02	−0.03
	(−1.70)	(−3.12)	(−2.65)	(−2.45)	(−2.75)	(−0.31)	(−0.55)	(−0.59)	(−0.86)	(−0.18)	(−0.51)	(−0.44)	(−0.58)
Slack resources	0.06	−0.02	−0.04	−0.04	−0.06	−0.07	−0.06	−0.06	−0.06	0.20***	0.21***	0.20***	0.20***
	(1.15)	(−0.38)	(−0.90)	(−0.84)	(−1.20)	(−1.21)	(−1.05)	(−1.07)	(−1.01)	(3.89)	(4.17)	(4.13)	(4.15)
Competitive intensity	0.02	0.07	0.06	0.06	0.06	0.01	0.02	0.02	0.01	0.04	0.04	0.04	0.05
	(0.40)	(1.34)	(1.26)	(1.18)	(1.23)	(0.22)	(0.28)	(0.30)	(0.24)	(0.75)	(0.84)	(0.83)	(0.97)
CEO education	−0.14**	0.05	0.10*	0.09	0.09	0.02	0.00	0.01	0.01	−0.06	−0.08	−0.07	−0.09
	(2.58)	(0.86)	(2.01)	(1.80)	(1.98)	(0.42)	(0.06)	(0.11)	(0.17)	(−1.08)	(−1.57)	(−1.44)	(−1.73)
Direct effect													
Corporate political activity	0.20***	0.25***	0.17***	0.17***	0.16**	−0.12*	−0.09	−0.09	−0.07	−0.30***	−0.27***	−0.27***	−0.24***
	(3.84)	(4.65)	(3.35)	(3.36)	(3.23)	(−2.18)	(−1.62)	(−1.60)	(−1.17)	(−5.96)	(−5.21)	(−5.30)	(−4.78)
Mediating effect													
Political influence (POL)			0.38***	0.37***	0.33***		−0.14**	−0.14**	−0.14***		−0.18***	−0.18***	−0.13**
			(7.78)	(7.75)	(5.44)		(−2.60)	(−2.56)	(−2.79)		(−3.54)	(−3.48)	(−4.12)
Moderating effects													
Equity control (EQTY				−0.06				0.02				0.07	
				(−1.33)				(0.29)				(1.33)	
POL*EQTY				0.15**				−0.04				0.01	
				(3.23)				(−0.66)				(0.21)	
OECD status (OECD)					−0.04				0.26				0.24*
					(−0.32)				(1.72)				(2.16)
POL*OECD					−0.03				0.27**				0.18**
					(−0.47)				(2.81)				(2.34)
Goodness of Fit Test													
R^2	0.07	0.09	0.23	0.25	0.24	0.02	0.04	0.04	0.07	0.14	0.17	0.18	0.20
F-value	4.35**	5.42**	14.11**	12.81**	10.95**	1.35	2.15*	1.73	2.98	9.51**	10.21**	8.14**	9.27**
Highest VIF	1.04	1.04	1.08	1.08	2.51	1.04	1.08	1.08	2.51	1.04	1.09	1.09	2.51

* $p < 0.05$
** $p < 0.01$
*** $p < 0.001$ Standardized estimates reported, t-values in parenthesis.

Table 7
Mediation analysis with bootstrapped indirect effect estimates.

	Effect	Boot SE	LL 95% CI	UL 95% CI
Indirect effect of CPA on environmental sustainability performance through political influence	−1.76	0.65	−3.14	−0.62
Indirect effect of CPA on social sustainability performance through political influence	−1.79	0.74	−3.40	−0.45
Indirect effect of CPA on economic sustainability performance through political influence	4.52	1.68	1.64	8.33

Note(s): N = 348. Bootstrap sample size = 5000. LL = lower limit; CI = confidence interval and UL = upper limit

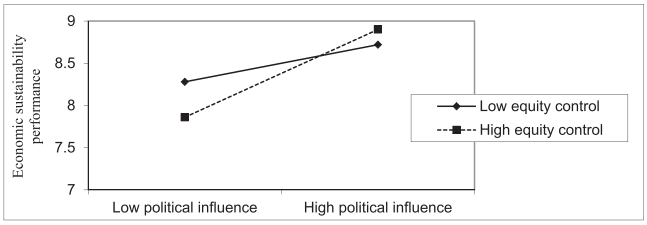

Fig. 2. The interaction effect of equity control and political influence on economic performance.

5. Discussion and conclusion

In this study, we develop a novel theory on how CPA contributes to enhancing the sustainability performance of MNE subsidiaries. Specifically, we investigated the impact of CPA on corporate sustainability (i.e., environmental, social, and economic) through MNE subsidiaries' political influence. We also explore the conditional effect of foreign parent equity control and economic development on the impact of MNE subsidiaries' political influence on sustainability performance. Our research, which studied 348 subsidiaries operating in four countries in sub-Saharan Africa, demonstrates broad support for our hypotheses. Our findings contribute to the literature and provide several practical

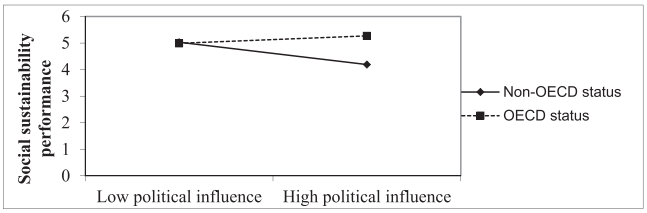

Fig. 3. The interaction effect of OECD status and political influence on social sustainability performance.

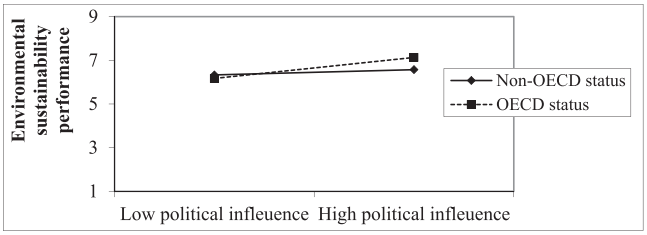

Fig. 4. The interaction effect of OECD status and political influence on environmental sustainability performance.

implications.

5.1. Implications for theory

This study advances NMS literature by integrating CPA, political influence, and CSP into a coherent theoretical framework and by clarifying how nonmarket strategies generate differentiated sustainability outcomes in developing economies. While prior research in developing markets has suggested limited performance implications of CPA (Adomako et al., 2023a; Kamasak et al., 2019), our findings demonstrate that CPA, as a core nonmarket strategic instrument, enables MNEs to acquire comparative advantages that are not immediately captured by conventional accounting-based metrics. In institutionally volatile contexts, subsidiaries engaging in CPA may perceive elevated institutional risk due to political unpredictability and the potential costs associated with political engagement (Den Hond et al., 2014; Marquis & Raynard, 2015). Nevertheless, these firms may secure enhanced sustainability performance through privileged access to information and influence over regulatory processes. By cultivating ties with key institutional actors, MNEs can identify and exploit opportunities embedded in their institutional environments, thereby linking nonmarket engagement to multidimensional performance outcomes.

First, our study extends NMS literature by broadening the scope of outcomes traditionally examined in this literature. Existing research in developing markets has largely focused on the joint configuration of CPA and CSR in predicting firm competitiveness or financial performance (Adomako et al., 2023a; Rajwani & Liedong, 2015). As a result, prior NMS scholarship has not systematically examined how CPA independently shapes environmental, social, and economic sustainability performance. By disaggregating CSP into its three dimensions, we provide a more fine-grained understanding of how a specific nonmarket instrument—CPA—produces heterogeneous effects across sustainability domains. This approach moves beyond treating sustainability as a peripheral or reputational byproduct of political engagement and instead conceptualizes it as a strategic outcome embedded within the broader nonmarket architecture of the firm. In doing so, we respond directly to calls for more nuanced theorizing regarding the performance consequences of nonmarket strategies (Mellahi et al., 2016).

Second, we refine NMS literature by identifying political influence as the mediating mechanism through which CPA translates into sustainability outcomes. Although prior studies have examined the relationship between political connections and competitive positioning in emerging markets (Rizopoulos & Sergakis, 2010; Sun et al., 2010), they have not explicated the process through which political engagement affects sustainability performance in developing contexts. By conceptualizing political influence as a nonmarket capability that converts political engagement into regulatory advantages and preferential access to resources, we clarify the "how" and "why" underlying the CPA–CSP relationship (Mellahi et al., 2016). This contribution builds on and extends existing NMS research (Sun et al., 2021; Weymouth, 2012) by embedding political influence explicitly within a mediating framework that links nonmarket strategy to environmental, social, and economic outcomes. In doing so, we shift the conversation from whether CPA matters to how it operates within firms' broader institutional management strategies.

Third, we contribute to NMS scholarship by specifying boundary conditions that shape the effectiveness of nonmarket strategies. Our findings reveal that parent equity control strengthens the positive relationship between political influence and economic sustainability performance, while not significantly moderating environmental or social outcomes. This nuanced pattern suggests that ownership structure conditions the economic returns of political influence but does not uniformly shape its broader sustainability consequences. By introducing governance structure as a contingency, we extend insights from sustainability research (George & Schillebeeckx, 2022; Kavadis et al., 2024; Barbaglia et al., 2023; Van Zanten & Van Tulder, 2018) into the NMS domain and demonstrate how internal organizational factors interact with external political engagement. At the same time, the absence of moderation effects for environmental and social performance highlights the role of subsidiary-level autonomy and local contextual dynamics, challenging assumptions that parent control uniformly dictates sustainability outcomes.

Finally, we advance NMS scholarship by incorporating economic development as a contextual boundary condition. Although the literature often assumes a universal impact of political influence across institutional environments, our findings indicate that the developmental stage of a firm's home economy shapes the relationship between political influence and sustainability outcomes. Specifically, we find support for the moderating role of economic development in attenuating the negative effects of political influence on environmental and social sustainability performance, though not for economic performance. These results underscore the importance of institutional context in nonmarket strategy research (He et al., 2007; Kobrin, 2015) and suggest that the effectiveness of political engagement depends on the regulatory norms, stakeholder expectations, and institutional infrastructures associated with different levels of development. By integrating economic development into our model, we respond to calls within the NMS literature (Lawton et al., 2013; Mbalyohere et al., 2017; Mellahi et al., 2016) for more context-sensitive theorizing.

Our findings also speak directly to institutional theory and the logic of institutional development that underpins nonmarket engagement in emerging economies. A growing body of work emphasizes that, in weak institutional environments where legal and regulatory frameworks are underdeveloped and enforcement mechanisms are costly or ineffective, nonmarket strategy is often adopted in less formalized ways than in mature institutional settings (An et al., 2024; Liedong et al., 2020). Rather than relying on the codified, transparency-oriented political tactics common in developed economies, firms in such contexts tend to depend on informal political ties, personal relationships, and relational strategies to secure access, legitimacy, and resources (Liedong et al., 2020). Our results are consistent with this institutional development logic: the political-instrumental logic activated by CPA gains particular salience precisely because the stakeholder-accountability logic is institutionally under-supported in our sub-Saharan African setting, allowing political influence to substitute for formal regulatory accountability and thereby dampening environmental and social sustainability outcomes. The attenuating effect of home-country economic development that we observe reinforces this interpretation, indicating that as the institutional

infrastructure of a firm's home economy matures, formalized and accountability-oriented nonmarket conduct increasingly tempers the substitution of relational political ties for substantive sustainability commitments (An et al., 2024). In this respect, our study extends institutional theorizing on nonmarket strategy by clarifying how the degree of institutional development conditions whether political engagement is enacted through formal or informal channels, and with what consequences for multidimensional sustainability performance.

Collectively, these contributions unify CPA, political influence, governance structure, economic development, and sustainability performance within a coherent nonmarket strategy framework. Rather than presenting separate contributions to CPA, sustainability, or political influence literatures, our study demonstrates how these elements jointly inform a more comprehensive understanding of how firms strategically manage institutional environments to generate differentiated sustainability outcomes in developing economies.

5.2. Implications for practice

Beyond the theoretical contributions, our findings generate important implications for managers and policymakers operating in developing economies. First, our results caution MNE managers against assuming that political influence automatically generates positive sustainability outcomes. Given the potential negative implications for environmental sustainability performance, MNEs should critically evaluate how their political advocacy activities align with long-term ecological commitments. Political engagement should be embedded within broader strategies that prioritize environmentally responsible practices (Barbaglia et al., 2023; Surroca et al., 2013; Tatoglu et al., 2014) and demonstrate a sustained commitment to ecological preservation (George & Schillebeeckx, 2022). This includes investing in resource-efficient technologies, adopting internationally recognized environmental standards, and ensuring that political lobbying does not weaken environmental regulations in host countries.

Second, MNEs operating in Africa and other developing regions must carefully assess the social consequences of their political activities (Oetzel & Doh, 2009). Our findings suggest that political influence, if not strategically aligned with social objectives, may undermine social sustainability performance. Managers should therefore integrate political engagement with community-focused initiatives, inclusive business models, and long-term social development investments. Collaborating with local stakeholders, strengthening diversity and inclusion practices, and building transparent partnerships can help mitigate adverse social impacts while reinforcing legitimacy.

Third, the effectiveness of political influence is contingent upon governance structure and economic context. In dynamic and institutionally complex environments (Meyer et al., 2011; Stevens & Newenham-Kahindi, 2021), managers must recognize that the sustainability consequences of political engagement depend on parent equity control and the developmental context of the firm's home economy. Strategic alignment between headquarters and subsidiaries, coupled with sensitivity to institutional differences, becomes essential for leveraging political influence in ways that enhance sustainability outcomes.

For policymakers, our findings underscore the need for regulatory frameworks that discourage the misuse of political influence while incentivizing integrated sustainability strategies. Governments should design policies that encourage MNEs to balance economic, environmental, and social objectives rather than privileging short-term economic gains. Regulatory mechanisms that promote environmental accountability (Preuss et al., 2016; Rathert, 2016), including incentives for eco-friendly technologies, stringent compliance standards, and transparent sustainability reporting, can help ensure that CPA activities do not compromise ecological or social well-being. Such measures are particularly critical in developing economies, where institutional gaps may otherwise amplify the unintended consequences of corporate political engagement.

Limitations and future research directions

Although this study offers important insights, several limitations create opportunities for future research. First, with the exception of economic sustainability, our sustainability performance measures relied on managerial perceptions due to the limited availability of reliable archival environmental and social performance data in our research context. Perceptual measures are widely accepted in prior research (e.g., Judge & Douglas, 1998; Keeble et al., 2003; Enticott & Walker, 2008; Wijethilake, 2017), and our multi-respondent, time-lagged design collecting data from CEOs and finance directors at different points in time helps mitigate common method bias (Podsakoff et al., 2012). Nevertheless, perceptual measures may still be subject to social desirability bias (King & Bruner, 2000). Future research could strengthen measurement precision by incorporating archival indicators such as audited sustainability reports, third-party ESG ratings, customer satisfaction indices, or industry analyst evaluations as such data become more accessible in developing economies.

Second, our sample consists exclusively of manufacturing subsidiaries. While this focus enhances internal consistency, it limits the generalizability of the findings to subsidiaries with other strategic mandates, such as research and development or service-oriented operations. Different subsidiary types pursue distinct objectives and operate under varying resource configurations and strategic pressures (Boojihawon et al., 2007; Mudambi & Navarra, 2004). For instance, R&D subsidiaries may emphasize innovation and long-term capability development, whereas service subsidiaries may prioritize customer engagement and relational performance. These differences may shape how corporate political activity and political influence affect sustainability outcomes (De Marchi et al., 2022; Liou & Rao-Nicholson, 2021). Future research could extend our model to other subsidiary types to assess the boundary conditions of our findings.

Third, although Ghana, Nigeria, Ethiopia, and Kenya share similarities as developing economies with growing markets and institutional challenges, important cross-country cultural differences may influence both CPA engagement and sustainability practices (Bahoo et al., 2020; Barron, 2011). Cultural norms can shape how managers interpret political engagement and enact environmental and social responsibilities (Gallego-Álvarez & Ortas, 2017; Roy & Goll, 2014). Future studies could examine whether our findings replicate in other developing regions or incorporate cultural dimensions directly into the model.

Fourth, endogeneity remains a potential concern, as the relationship between CPA and sustainability performance may be reciprocal. Although we addressed this issue using instrumental variable regression techniques and found our results to be robust, causal inference in observational international business research remains inherently challenging (Li et al., 2021; Reeb et al., 2012). Future research could employ longitudinal panel data, natural experiments, or quasi-experimental designs to further strengthen causal claims.

In conclusion, this study examines how corporate political activity influences the sustainability performance of multinational enterprise subsidiaries through the mediating mechanism of political influence. By identifying political influence as the process through which CPA shapes economic, environmental, and social outcomes and by highlighting key contextual contingencies, our findings contribute to a more nuanced understanding of nonmarket strategy in developing economies. In doing so, our findings reinforce an institutional development logic in which nonmarket strategy is enacted less formally in weak institutional environments, where firms lean on informal political and relational ties rather than codified political tactics (An et al., 2024; Liedong et al., 2020). As MNEs continue expanding their global presence, understanding how political engagement interacts with institutional contexts to shape sustainability performance remains both theoretically and practically important.

Data availability

Data will be made available on request.

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