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Balancing to Utopia: Multinationals in Oligarchies

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Introduction

State governance has been explained as playing the role of either carrot or stick (or both) for foreign direct investors throughout the twentieth century (Vernon, 1998, Moran, 1998). The traditional post-colonial order of foreign direct investment depicts the business-society tension as a relationship between a local host government and a foreign multinational investor (Vernon, 1971, 1977, 1998, Eden, 2001). However, the context of bargaining for the foreign investor has changed significantly since Vernon proposed the obsolescing bargaining model (Vernon, 1971, 1980, Eden, Lenway and Schuler, 2005, Langloi, 2010, Kobrin, 2017).

In this paper we discuss how business-society relations in the global economy are changing. The global business context today is much more complex than it has ever been before. This is partly due to the grand opening of the world trading system. It is also due to the widespread economic and financial liberalisation that signals a move towards more market-based systems across a great variety of transition and developing countries (Vernon, 1998). We argue that the increasing complexity in the business environment faced by foreign direct investors is rooted in the political and economic transitions in emerging economies.

These transitions are argued by both political scientists and economists to have led to an oligarchic form of state governance (Gourevitch and Shinn, 2005; Guriev and Rachinsky, 2005; Fogel, 2006). Many societies currently struggle with the implications of public and private sector fraud and money being able to purchase political influence, which is one of the defining aspects of oligarchy (Winters, 2011). Economic transition without fundamental changes in political institutions has led to a steep increase in levels of corruption worldwide (Johnston, 2005; ICRG, 2014).

At around the same time that Vernon (1998) wrote about the rising political challenges in emerging economies in his book entitled *In the Hurricane's Eye*, Fukuyama (2006, 2008) suggested that capitalism along with democracy had become the dominant and perhaps exclusive economic system that emerging markets could model their future off. But now the current global economic system shows signs of fatigue with the traditional model of capitalist democracy. Instead we have witnessed the fast emergence and success of a competing Asian model. This model is neither capitalist nor socialist (Gregory and Stuart, 2013). It is not democratic nor necessarily completely autocratic (Schmitter and Karl, 1991). Furthermore, it is neither market-based nor interventionist but rather applies strategic thinking (Lall, 1995).

These governments while perhaps competing for 'scarce' foreign investments are still far from the fragile host governments that Vernon envisioned (Bakir, 2015). Winters (2011) convincingly argues that the current era marks a repetition of history in regard to oligarchy. This implies authoritarianism, but of a non-monopolistic kind as is the case in a dictatorship or totalitarian state (Linz, 2000). In other words, there can be several de facto, potential or contending rulers in an oligarchy. Oligarchy is an ancient type of governance form that has been seen many times before, but never in combination with the current context. In the current context we have increased levels of global income, greater relative wealth disparities, larger absolute gaps in development disparities, more connectedness and also technological and military advancement at an unprecedented scale.

Our paper explains how this new context of oligarchy is important in shaping our understanding of relations between multinationals and stakeholders in foreign countries where they operate in what we propose or seek to demonstrate is a scenario of heightened political risk. Thus the main objective is to answer the following research questions: *(1) How do we need to modify our conceptualisation and analysis of political risk in the new political economy of emerging markets? (2) How can we use the OBM theory towards improving our understanding of political risk in this new environment? (3) What can governments and investors do to reduce risk and navigate this scenario of a new type of OBM in the oligarchic regimes?*

The context of this study is Turkey and Russia. We use these feuding or warring oligarchies (Winters, 2011) on the borders of Europe as exemplary of the new political realities across emerging economies. Popular sentiment may be equally skeptical now towards globalisation across emerging and established market economies (Pew, 2014). But here we wish to emphasise the non-democratic aspects of governance in emerging economies since it is the particular type of warring oligarchy that will typically place them outside the predictable context of rule of law (Winters, 2011). We focus on the implications that the political and policy context of oligarchies have on the traditional model of bargaining: now embedded in a triadic relationship between multinationals, host country governments and local business groups. In doing this we explore political risk as it unfolds at the level of particular foreign direct investment projects (see also Vernon, 1980). In the following section, we review relevant literature on the bargaining model and political risk. We then develop a theory of multinational bargaining in oligarchies and explain how we use the critical case study method to expand the OBM to reflect the new political realities. The introductory parts precede the main analytical sections presenting the case narratives and the case analysis. To keep the analysis concise, parts of the more descriptive parts of the case analysis are presented in a separate appendix which readers may consult for clarification and detailed referencing to the data. Lastly follows a discussing and concluding section, and a brief set of recommendations and perspectives for research and practice.

The Evolving Bargaining Model

Scholars have attempted to extend Vernon's canonical OBM model in several important ways. Henisz and Williamson (1999) explored the distinction between political and contractual hazards that multinational actors face in host countries when interacting with governments and local firms respectively. Ramamurti (2001) suggested that the bargaining model is better understood as the result of a two-tier, multi-party bargaining process. He stressed the role of bargaining between the governments of host and home countries, both bilaterally and through multilateral institutions.

Li, Newenham-Kahindi, Shapiro and Chen (2013) have "revisited" this two-tier bargaining model in a study of Chinese multinationals' bargaining in Africa. Their modified one-tier model stresses the role of the home country government. Their theoretical framework stresses the role of industry risk characteristics (high or low political risk) and host country economic development (weak or strong) as boundary conditions for the applicability of the modified one-tier bargaining model that they developed. They argued that in some situations a traditional one-tier model is still relevant, while in other industry/country contexts a modified two-tier of Ramamurti's two-tier model will apply.

Eden and Molot (2002) have focused on the role of a second wave of foreign investors in bargaining. This extension of the nature of the bargaining process from dyadic (multinational firm-host country government) to triadic (first-mover MNCs, host country government and late-mover MNCs) is aligned with Ramamurti's and Li et al's (2013) two-tier approach. Eden and Molot (2002) also form propositions regarding bargaining dynamics and suggest that liability of foreignness, firm rivalry and governance inseparability are key factors in determining the winners and losers in the sequential bargains. They also acknowledge that international institutions and home country governments are external forces that can affect bargaining outcomes.

Nebus and Rufin (2010) extended the bargaining power model by adding non-governmental organisations as stakeholders. They were also more explicit about the possibility of more than three participants (nation states, MNEs, NGOs and multilateral organisations) and allowed for different numbers of these actors. Their framework models bargaining in this complex environment as a network. Their "network bargaining power" model includes insights such as coalition effects, strategies such as less powerful actors leveraging more powerful allies, integration of international and domestic politics.

Bucheli and Kim (2015) developed a dynamic model describing MNEs' strategies for protection of their property rights. They argue that multinationals operating in site-specific industries face two types of opportunistic behaviour: (1) host governments can change existing legislation challenging the firms' property rights (often as a result of a MNE action—such as vertical integration); (2) if MNEs don't integrate vertically, they can be held up by local business partners or lose control over the production process. Bucheli and Kim (2015) suggest that these conflicting problems reflect the contradictory assessments made by the OBM and the transaction cost economics paradigms. They resolve the conflict by drawing on property rights theory and suggesting integration of the host country's policies within the MNE's structures to avoid government opportunism (noting that the strategy can backfire after institutional changes in the host country).

The OBM in the new context

Vernon proposed in the 1980s a theory aimed towards understanding the political or systemic risks associated with international joint ventures (IJVs) in developing countries. Vernon's theory was among the first to propose using methodological individualism (e.g., grounding macroeconomic phenomena such as political risk in experiences gathered at the microeconomic level) to capture institutional effects related with political risk.

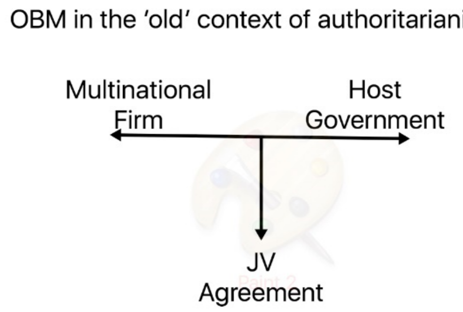

Figure 1: The classical (dyadic) OBM bargain

As demonstrated in Figure 1, the OBM considers bargaining between two stakeholders (or a dyadic relationship) - the multinational firm and the host country government. The theory offers little explanation of the particular prevailing governance form. It is implicit that Vernon's OBM relates to authoritarian regimes or what Linz (2000) classifies as 'old' authoritarianism or totalitarian states. In these states there is a weak or no rule of law which also means that the bargain (e.g., the honouring of the 'IJV agreement') and how it evolves over time is completely at mercy to the ongoing relationship between the foreign investor and the host country government. This theory is cast in opposition to a scenario of democratic governance (see Figure 2). The main difference is that the interpretation and ruling of the agreement in the case of a dispute between the MNE and the host country government is subjected to the rule of law. The rule of law implies that the interpretation, benefits and obligations of an agreement cannot be easily changed and the institutions of a constitutional democracy (such as an independent judiciary) guarantee a certain and predictable outcome (Habermas, 1995). In this type of regime, political risk is therefore also considered to be low. Hence the OBM is not relevant in this context.

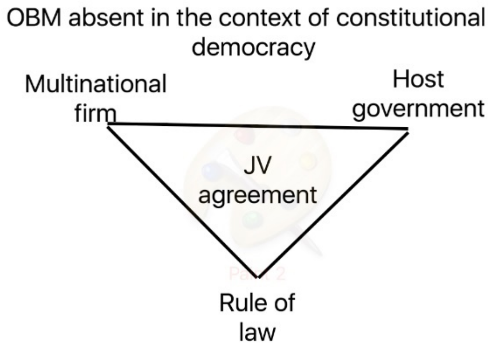

Figure 2: The irrelevance of OBM with the rule of law

We build our case studies around the central elements of the OBM. The purpose of this paper is to extend the theory so that it is applicable to a new context rather than test the existing theory (see the methodology section below). The concepts we use in the case studies are closely related to the theoretical concepts and constructs in the OBM, or how we understand and interpret the OBM.

The OBMs predictive power rests on the idea of a power balance in the IJV which is directly derived from the relative resource balance and how it evolves over time. In the classical OBM the power is from the outset tilted towards the local government. This owes to the resource balance (e.g., foreign investors are double disadvantaged here because their assets are mobile and suffer from value depreciation over time), but also to the fact that financial capital assets are sunk into a territory where the host government is sovereign. In this theory the power balance is predicted to become increasingly skewed towards the host government due to asymmetrical power and learning effects (see e.g. Yan and Gray, 1994). The theory therefore predicts that all capital stakes in the IJV will eventually be recovered by the host government.

The rise of oligarchy

We expand the bargaining theory in view of the new context of political transition and the rise of oligarchy (Winters, 2011) or 'new' types of authoritarianism (Linz, 2000). We focus on the context of a particular type of oligarchy which Winters has labelled as warring. Winters describes this regime as oligarchies where "the most important arbiter of change in this long history of oligarchic flux centres on changes of how wealth and property are threatened, and the shifting form and locus for their defence." (Winters, 2011, Page 42)

Whilst many countries may be classified currently as oligarchic to the extent that they deviate substantially from principles of constitutional democracy, not nearly all of them will fall in the category of warring. Some countries can verge on being warring oligarchy, as it has been in Turkey for decades. Only in certain periods will the oligarchic feuds break out. The rise of oligarchy today appears to follow from or coincides with the transition to market-economy and relates to how that economic transition is affected by and affecting the polity. This is where the most commonly used indicators of state governance such as the PolityIV score as published by the Center for Systemic Peace and the civil liberties and political rights indices published by Freedom House often fail to fully capture the present situation.

Taking into account more nuanced aspects of the political transition process will reveal that the state of democracy is quite different from how it appears when looking at the traditional indicators. Reich (2002) proposes, still on a singular scale, to distinguish between autocracy, semi-democracy and democracy. Linz (2000) proposes instead to contemplate many of these countries in political transition as representing an altered or new form of authoritarian regime. Levitsky and Way (2002) have coined such regimes competitive authoritarianism. Winters

(2011) in a systematic but historical account labels such regime types as generally oligarchic. The interesting aspect of oligarchy is that oligarchy may potentially map on to fully democratic, fully authoritarian (or dictatorships) or outcomes that are distinct on the scale running from democratic to authoritarian. It is the latter that are often viewed as feuding or warring oligarchies, which may rest in a stable situation, but with the potential to break out into new feuds or political wars more frequently than any other type of regime. This is what makes the state of oligarchy more risky or uncertain than any other governance form. The study of oligarchy in a contemporary context is in its infancy and there is very little application of these theories in the context of business and management (see Kalotay, 2008; Ford, Gilland and Thein, 2016; Meissner, 2016).

The Triadic bargaining

Our starting scenario differs from the dyadic relationship in the original OBM model; we model a triadic relationship between a multinational firm, a local business group and a host country government. We use social network theory as an analytical device (Scott, 2017). Social network theory is fundamentally constructed around triadic relationships. Equilibrating in this theory is traditionally called *balancing*. The central argument in social network theory is that triadic relationships will lean towards balancing outcomes and that imbalances are unsustainable.

This argument is carried through in what Antal, Krapivsky and Redner (2006) call 'local triad dynamics'. From the perspective of one particular player, for example player A, the equilibrating force is very simple: player A is at the outset friends with both B and C who are also mutual friends. This kind of trio-directional positive friendship in the triad is called 'utopia'. However, if for example the friendship between B and C turns sour it upsets the balance in the whole triad. Subsequently, A's relationships with both B and C become untenable. One possibility is that all relationships sever altogether and the triad disappears. Hence, there is no network and players are self-reliant. However, more likely A is put in a position where (s)he must choose sides and either be friends with B or C. In making such a choice, balance in the triad will be restored or reverted to a simple dyadic relationship. The theory can be extended to involve more complex relationships where networks consist in interwoven and extended webs of multiple triadic relationships (see Halinen and Törnroos, 2005).

We use the local triad dynamics from Antal, Krapivsky and Redner (2006) and general equilibrating predictions from social network theory as an envelope around the original OBM. We focus explicitly on three general types of actors (starting from the original two and adding one new): foreign investors, the local government and a local partner or business group. For simplicity we therefore also explicitly ignore other potentially relevant actors such as home governments, international organisations, NGOs and local communities or populations (see e.g. Buur, Nystrand and Pedersen, 2017). A richer and deeper analysis of individual cases could extend to include such actors and depending on the objectives with the analysis. We argue that *balancing to utopia* in the triad—trying to achieve a state of friendly ties among all three central triad stakeholders in our analysis—is a way for the MNC to prevent the OBM from becoming an active liability to the strategic decision-makers when operating in an oligarchy. Hence our focus is on the involvement of a local business partner or business group which is often an essential element of engaging in foreign direct investment ventures in emerging economies.

The scenario of the triadic relationship reflects the transition process and how the distinction between public and private ownership evolves. Yet, often business groups remain categorised as ‘government-linked’, ‘government-tied’, ‘government-networked’ or politically connected (Ang and Ding, 2006, Faccio, 2006, Okmatowskiy, 2010, Colpan and Hikino, 2010).

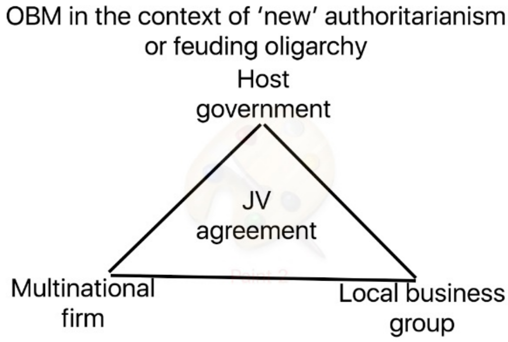

Figure 3: The new (triadic) OBM in oligarchy

We also argue that it is exactly this triadic relationship which greatly complicates the bargaining situation in oligarchies that are feuding or have the potential to break out into the warring type. This is because of the uncertainty not only about the MNCs own relations with the host government, but also the uncertainty about the evolving relationship between local business groups and the sitting government. We place the agreement in the middle of this triadic relationship but without the safeguard and checks and balances of rule of law or democratic institutions (see Figure 3).

Methodology

The methodology falls within the broader field of inductive studies. Whilst we begin with an existing theory (the OBM), the aim is not to test the theory, but rather to expand it in view of a new context. Therefore, methodologically our study classifies as inductive-expansive. Some researchers have also classified this approach as 'abduction' (Reichertz, 2007) which is defined as a pendulum or circular process, rather than a simple linear process running from data to theory or vice versa.

First, we searched for cases in feuding or warring oligarchies and delimited to Russia and Turkey. These nations are good examples of the warring oligarchic regime type, where feuds have been in open outbreak during the period of contemporary business history. The cases were selected as critical cases. The aim was not to test the theory or to validate a certain regularity based on representative sampling. Rather, it was to explore the whole range or boundaries of potential outcomes, when the IJV agreement or related agreements (such as acquisitions and alliances) are negotiated in the setting of oligarchy. The comparatively constructed case study here combines several critical cases to introduce as much variation as possible across sectors and entry modes while using the minimal number of cases necessary.

With regard to these empirical aims, we therefore selected four cases that cover three sectors (primary, manufacturing and services) in two warring oligarchies (Russia and Turkey). They are all examples of actual or potential IJVs (or in services it is more appropriate to call the agreement a strategic alliance since there is little focus on any financial capital contribution) between an MNE and a host country stakeholder. The first case identified was TNK-BP in Russia. This case—while portraying a triadic relationship between a local business group, a host government and an MNE—also has all the ingredients of the classical OBM bargain, but in a new context.

The second case is Carlsberg's IJV in Russia. It was selected because it involved from the outset an IJV which strongly contrasted in scenario and outcome to the first case. For example, it represents manufacturing sectors rather than natural resources. In addition, the bargaining power at the onset is tilted more in favour of the multinational firm in the capital and technology hungry European transition countries that had been isolated behind the Iron Curtain. It was therefore often the case that multinational firms had the upper hand or better bargaining power when manufacturing IJVs were involved in the privatisation process at the beginning of the transition process in Eastern Europe and the Former Soviet Union (Meyer and Jensen, 2005). The third case (BBC's involvement with the Turkish conglomerate Dogus) was identified as one of Turkey's most politicised cases in recent times and would rarely be associated with the OBM theory. It is important as it represents the services sector. It is also important as a critical case as it distances itself from the original OBM theory by being more of a pure strategic alliance with only very minor financial capital contributions. The last case identified was British American Tobacco (BAT) in Turkey. It came into the comparative case study in view to the desire to have two cases for both countries and a manufacturing case from each country. Unintentionally upon reading the cases it became immediately clear that all these cases exhibit the triadic relationship which we postulate is the relevant relationship to account for in the context of oligarchy.

While most of the case material is available from secondary sources, the case studies are in the broader tradition of social science case studies (see Yin, 2013) based entirely on publicly available materials. We have not been in contact with any of the stakeholders involved in the case studies. This is quite opposite the tradition used when conducting cases in international business studies (Piekkari, Welch, and Paavilainen, 2009). However, from a validity viewpoint and in view to the political nature and sensitivity of the studied topic this is quite important. Notably, the case study of BAT in Turkey is unique, having been written down and kept for historical record since the IJV never materialised. The BAT case therefore demonstrates how using ordinary sampling strategies or business case study methodology this critical case study would have been entirely overlooked. Our readings of the cases are independent of original case authors (when they exist as is true only for the TNK-BP and TEKEL-BAT cases). Methodologically we use existing case study materials combined with fragments of materials we have been able to find from secondary and primary sources but still external to the case stakeholders.

Case Studies: Short Presentation

In this section we briefly introduce and describe the four cases. This section is also supported by an Appendix which gives a more thorough presentation of the cases and the sources that were used towards gathering the data. Table 1 presents the four cases ordered by how much we find they deviate from the classical OBM. The TNK-BP joint venture comes closest to resembling the original bargain. The main difference is that the agreement is entered into between BP and a local business group, without any direct involvement of the Russian government. The second case presented is the BAT-TEKEL case in Turkey. This IJV agreement never materialised and the negotiations were dragged out endlessly with the alternating Turkish governments of the 1990s. However, this IJV is very close to the original OBM as well since it takes potential outset in a dyadic relationship between a foreign investor and a host country government. It is also apparent that a local business group is involved and that it has a large bearing on the ongoing negotiations between BAT and TEKEL. The third case is the Carlsberg case. This case is quite distant from the original OBM scenario, in fact, it was for this very reason that the case was chosen. The last case is the service case of BBC in Turkey, which deviates the most with the original OBM scenario because it is based entirely on a strategic alliance with the local business group Dogus, rather than an equity based joint venture (following the definition provided in Daniels, Radebaugh and Sullivan, 2013).

Table 1 gives a summary about the basic observations concerning stakeholders involved, resource contributions and initial power balance in each case. Notes about the sources used towards constructing the cases along with a short historical account of each case are given in the Appendix. The case analysis here will focus on how the triadic relationship evolves and the factors that leads up to the obsolescence of the IJV are then presented in the subsequent section.

Table 1: Overview of the four case studies: stakeholders, resources & power balance

Case 1 - TNK – BP (natural resources, Russia)	Case 2 - Tekel – BAT (manufacturing, Turkey)	Case 3 - BB - Carlsberg (manufacturing, Russia)	Case 4 - Dogus - BBC (services, Turkey)
Stakeholders: Russian business group (AAR), BP, Government owned Rosneft, Russian government	Stakeholders: Tekel workers, trade unions, competitors, BAT, Turkish government, the general public	Stakeholders: Baltica Breweries, Carlsberg, Carlsberg shareholders, Russian government	Stakeholders: Dogus Group, BBC, the general public, the Turkish government, the British government
TNK resources: immobile natural resources, links to government BP resources: mobile technology resources Both: financial capital	Tekel resources: local brand name, market share and productive capacity BAT resources: international brand name, technology, financial capital	BB resources: local brand name, market share and productive capacity Carlsberg resources: international brand name, technology, financial capital	Dogus: local brand name, media networks, government licenses, local market share BBC: international brand name, international media networks, global market power
Initial power balance: 50/50 but de facto tilted towards BP at outset	Initial power balance: 0/0 tilted towards government owned Tekel	Initial power balance: capital stakes shift all the time, but tilted towards Carlsberg at outset	Initial power balance: there are no capital stakes, but tilted towards BBC at outset until media war starts

Analytical Framework

In the original OBM bargain and due to the dyadic relationship, there are only three possible outcomes of the bargain: 1) continued collaboration, or that the agreement obsolesces back 2) either to full (or majority) government ownership or 3) a foreign acquisition. The prediction of the original OBM is that it obsolesces back to the government. This is then the direct cause of a heightened political risk scenario from the perspective of the multinational investor.

The triadic relationship introduced earlier, as well as the greater involvement of local business groups in the bargaining increases the number of potential outcomes. However, social network analysis suggests that there are ultimately five ways that the bargain can evolve based on the equilibrating principle of balancing in the triad: 1) balancing to utopia (whereby a positive relationship exists between all three parties in the triad), 2) complete disruption (whereby all ties in the triad are ultimately dissolved) with each player thrown into a state of self-reliance, or 3) the return to a dyadic relationship (of which there are three possible outcome combinations in a triad).

Each of these outcomes except for 'utopia' could then be viewed from the perspective of the original OBM model (with three obsolescing alternatives as outlined in the first paragraph of this section). Hence, the barging now has 13 possible outcomes (utopia and 3 possible OBM outcomes in the triad for each of the 4 other contingencies - see Table 2).

Table 2: Strategic constellations and outcomes of triadic bargaining

Constellation	Possible outcomes of the bargain		
'Utopia' triad	Remains stable (until balance is disrupted by one of the partners)		
'Disrupted' triad	Obsolesces to MNC	Obsolesces to LBG	Obsolesces to GVT
MNC-GVT dyad	Remains stable	Obsolesces to MNC	Obsolesces to GVT
MNC-LBG dyad	Remains stable	Obsolesces to MNC	Obsolesces to LBG
GVT-LBG dyad	Remains stable	Obsolesces to GVT	Obsolesces to LBG

Note: MNC stands for multinational corporation, LBG for local business group, GVT for government. 'Utopia' stands for a triad with three friendly ties, 'disrupted' triad has zero friendly ties, the dyads have 2 friendly ties.

In the following analysis, we use the four cases and here introduce the three additional concepts of threat, trigger and turning points (the first two are borrowed from game theory, see for example Nowak and Zigmund, 2003 or applied in the context of international business

Zhang and Rajagopalan, 2002) that lead up to the obsolescing of the IJV agreements. Starting with the turning point this is defined as a strategic milestone in the ongoing negotiations taken by companies (MNCs or local) that can turn the bargain towards (what they hope to be) a favourable outcome for them, but which may also turn out instead to backfire or be of risk hereof. Examples of *turning points* are the changing of partners or entry modes or changes in the relationship with a (potential) partner. A *turning point* is different from a *threat point* in that it is the actual (instead of potential) change of relationship with a particular player from a friendly to unfriendly, or vice versa. It is also discernible from the *trigger point,* which is exclusively associated with governmental (or related with the general public), not firm actions. The threat, trigger and turning points capture the nonlinear, dynamic process of evolving relationships in triadic bargaining. Furthermore, they explain how this process relates to strategic actions taken by the stakeholders (rather than just the outcomes of the bargaining). They also underpin what network theory calls (as specific acts by players towards achieving) *balancing*. We now use the four cases to illustrate some of the potential bargaining outcomes in an oligarchic regime where a real or potential triadic relationship is involved. Table 3 and the summarising Figures 4-7 provide an overview.

Case Studies: Analysis of Bargaining in the Triad

All four cases have a real or potential triadic relationship integral to the outcome of the bargain. In all cases power plays between two of the parties in the triad (often using the presence of or subdued by the third player) leads to changes in the IJV agreement or make the situation unbalanced and unstable. This will be discussed in further detail below.

We use the concepts as introduced under analytical framework to present the case studies in Table 3. The trigger points in the cases as associated with actions of the host country government, relate to the rewriting of laws, or their usage under oligarchy (which is what Rojas

(2010) calls 'institutional work' or Winters defines as above in the vocabulary of political realism as 'shifting forms of wealth defence').

Table 3: Analysis of the four case studies

Case 1 - TNK – BP (natural resources, Russia)	**Case 2 - Tekel – BAT (manufacturing, Turkey)**	**Case 3 - BB – Carlsberg (manufacturing, Russia)**	**Case 4 - Dogus - BBC (services, Turkey)**
Threat points: -Rescinding licences -Rescinding work permissions -Withholding capital -Tied vote on board	Threat points: -Frequent change in government -Privatisation (sale) of TEKEL -Opposition veto -Competitor veto and unfair competition -Trade Unions and unfair labour practices	Threat points: -Changes in laws that affect how and where to sell alcohol, e.g. marketing legislation	Threat points: -Rescinding licences -Freedom of media -Freedom of speech and popular expression -Resource deprivation in general
Trigger points: Work visas of top BP executives are rescinded	Trigger point: sudden change in laws following foreign acquisition	Trigger point: Sudden change in laws following a protracted foreign acquisition	Trigger point: Public uprising
Turning points: -BP decided to leave the venture -AAR changed partner to Rosneft -Rosneft acquired AAR -BP acquired 12% stake in a venture with Rosneft	Turning points: -Pressure from outsider stakeholders to the IJV agreement -BAT alliance with Koc -BAT acquires 100% in Tekel	Turning points: -Carlsberg and S&N in alliance buy 85% of the shares in BB -Carlsberg and Heineken takeover S&N whereby Carlsberg effectively becomes sole majority owner of BB	Turning points: -Dogus decides to self-censor to not offend the government -BBC decides to leave the alliance

Outcome: obsolesces all the way back to the Russian government (to government owned Rosneft) with BP now a minority shareholder, TNK is pressed out of the IJV	Outcome: The IJV that BAT has sought, negotiated since 1987 never materialises, Tekel is acquired 100% by BAT in early 2008 and shortly after the Turkish government reinforces and expands a ban on smoking in public places	Outcome: Carslberg acquires the remaining shares in Baltica Brewery in 2014 and obtains 100% control, shortly after the value of the Russian beer market is significantly depreciated due to the introduction of a new 200% alcohol tax	Outcome: BBC exits the alliance and Turkish marketplace shortly after the Gezi park uprising, hence the alliance is abolished

The threat points are manifold (we only list the most important in Table 3) and not necessarily confined to one of the primary stakeholders (e.g., those directly involved in the triadic relationship, namely the involved local business group, the multinational investor in the IJV or the host government). In fact, threat points can involve many other stakeholders as discussed earlier and therefore also demonstrates the potential complexity involved in these bargains. This is especially true in the Turkish cases where in the BAT case (as well as late into the Carlsberg case) we see the involvement of new types of stakeholders. These include other foreign investors, BAT competitors and Turkish trade unions. However, we will only focus in our analysis on a single local triad dynamic for the three main stakeholders as delineated earlier in the study.

In the BBC case all of the threat points are at a societal level in relation to democratic freedoms derivable from a free media. The power that government has directly or indirectly over the media is the key consideration. It is apparent from the cases that a more advanced development in democracy and popular expression (when comparing Turkey to Russia) does not lead to a reduction in political risk, but rather the opposite. This is related directly to the increase of threat points inherent to an increased number of stakeholders in a nation deficient in the rule of law. However, the same observation seems to be increasingly true for Carlsberg in Russia, which is currently entangled in an extreme political risk scenario.

Turning points that manifested in the cases relate to changes in one or more of the relationships in the triad (denoted as ”+” for friendly, ”-” for unfriendly and ”?” for neutral or undetermined in Figures 4-7). In the TNK-BP case, the turning points included ties between BP and AAR turning from friendly to unfriendly, ties between AAR and the Russian government turning from friendly to unfriendly and finally ties between BP and the government turning from undetermined to moderately friendly. These changes in relationships were related to strategic actions such as BP deciding to leave the TNK-BP venture, AAR changing partner to Rosneft, Rosneft acquiring AAR and BP ending up with a 12% stake in the venture with Rosneft. In the Tekel-BAT case, the turning points included BAT forming friendly ties with Koc, turning friendly ties with the government unfriendly, then later re-establishing friendly ties with the government through the acquisition of TEKEL. In the Carlsberg case, the major turning point was Carlsberg’s acquisition of its Russian partner. In the Dogus-BBC case, the major turning point was BBC leaving its alliance with Dogus (turning friendly ties to unfriendly ties).

In every case, we observe and conclude that there is an element of the old idea,that the bargain obsolesces to the advantage and/or disadvantage of one or several of the three players. We also argue that the local government in every case demonstrated to have the upper hand in the negotiations. From either a value and/or power perspective they become the ultimate ‘winner’ of the bargain. These propositions are now analysed in more detail. The central objective of our analysis is the process of obsolescing in the OBM and its impact on a heightened political risk scenario.

Figure 4: TNK-BP - OBM all over

Figure 4 shows how the bargain evolves for BP in Case 1. At its outset, BP and the local business group (AAR/TNK) each held 50% of the shares in the IJV. After some dealings (as discussed in the case introductions earlier) the end situation is that BP exits the IJV, holding a minority stake of 12%, whereas the main part of the shares in the IJV have been taken over by Rosneft, a Russian state-owned enterprise. This outcome most resembles what the original OBM would predict. While there is never a 'full' triadic relationship involved we find that both parties (to the original IJV) use the presence of the 'third' party to negotiate to their own benefit. The trigger point, which is the rescinding of work visas can only happen because of AAR's ties to the government. Hence AAR uses this relationship to put pressure on BP. However, BP may have used its own relations with the government later in the negotiations because BP is the only party who continued to hold shares after the IJV has been de facto nationalised. This provides BP with a more stable business situation, one without the tied vote on the board undermining strategic decision making. The fact that BP only finds stability through minority ownership stakes demonstrates that in strategic sectors, such as oil, the government may continue to have the upper hand in the OBM. TNK-BP fulfils one of the scenarios we would expect when embedding the OBM in a triadic relationship: the return to a conventional dyadic relationship between the MNC and the host government, the local business group henceforth excluded. The TNK-BP case also demonstrates quite excellently how the

OBM (bargain obsolescing to the government) remains a secondary outcome to this rebalancing of the original IJV in a potential but in this case unrealised triadic relationship.

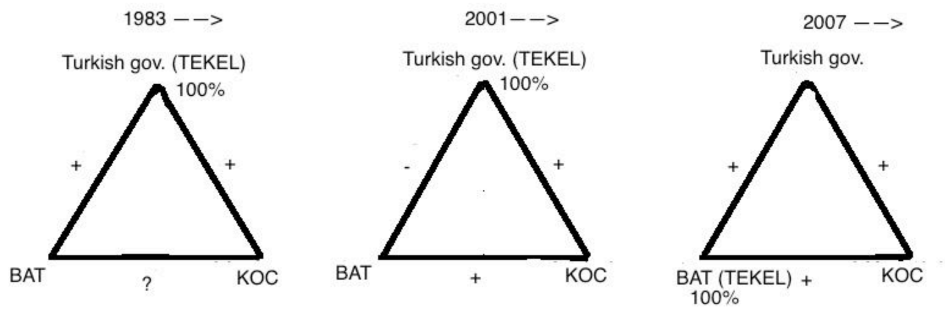

Figure 5: TEKEL-BAT - The IJV that never happened, but BAT still managed to balance to utopia

Figure 5 shows the case of the TEKEL-BAT IJV. It is unique in this analysis from the perspective that the negotiations over the agreement were never finalised. Furthermore, throughout the period of negotiation the Turkish government was under pressure to privatise TEKEL or resolve the finances of the state monopoly. After many years BAT instead turned to Koc for an alternative strategic alliance in the partnership Dusey Pazarlama. This allowed BAT to meet its objective, being able to locally produce internationally branded tobacco products for the Turkish marketplace and export markets. It is only after this alliance materialised and privatisation progressed in Turkey that BAT finally acquired TEKEL. BAT is successful and comes out of this bargain in a superior position comparable to the other cases. While the original case authors classify BATs entry as unsuccessful (see also the Appendix), we would say that it is instead prolonged and that BAT took a long-term strategy towards entering the Turkish marketplace.

In view of the current government's adversity to the tobacco industry as a whole, managing to balance the triadic relationship to utopia is quite a strategic achievement for BAT. They continue to have good ties both to the local business group and the Turkish government, despite some minor setbacks due to law changes. However, it is important to note that Turkey implemented many of these laws in accordance with international conventions in efforts to become a full member of the EU. While lacking concrete evidence or sources we also hypothesise that BATs strategic move of striking an alliance with KOC was what paved the way for the eventual TEKEL takeover. This was also indirectly to the benefit of the Koc group as the TEKEL takeover secured additional market share for the alliance partners

Figure 6: BB – Carlsberg - Devalued but not yet obsolete

Baltika Brewery had a very dynamic and complex ownership history, Carlsberg comes into the picture relatively late in the privatisation process. Initially named Baltic Brewery Holding (BBH) the company emerges out of the process of mass privatisation in Russia. The first plant of the brewery was built originally in 1978. It was involved in the Russian mass privatisation programme that took place over the period 1992-93. The initial impact of privatisation was a greatly dispersed group of shareholders. Over time, Carlsberg and Scottish & Newcastle in alliance bought 85% of the total shareholdings. They effectively became majority owners in Baltika Brewery in the early 2000s. Later, Carlsberg and Heineken took over the entire global operation of Scottish & Newcastle. By extension, Carlsberg took over Scottish & Newcastle's shares in Baltika Brewery. In 2009 Carlsberg was successful in buying out the remaining minority shareholding, making Baltika Brewery a 100% owned subsidiary under the Carlsberg Group.

Carlsberg's strategy of 'self-reliance' may have been the main culprit of its continued problems in Russia. Shortly after Carlsberg became the sole owner, the market value of the Russian subsidiary was significantly reduced due to a sudden change in laws (described in greater detail in the appendix). Hence, we see that the government continues to have a significant influence in the outcome of the bargain for Carlsberg. Exogenous events in 2013-14 further devalued the Russian subsidiary. Furthermore, in 2017 the government openly rewrote laws to target Carlsberg exclusively. While this was not a typical story of obsolescing, it still involved the devaluation of company value due to the rewriting of laws, similar to the original OBM prediction.

The triadic relationship and its importance is much less apparent in this case. However, once you place the case into this analytical framework it is quite clear that Carlsberg's strategy (being overtly self-reliant) is the most perilous of them all in an oligarchic environment. Once Carlsberg detaches itself from local minority shareholders any positive ties that may have existed with the Russian government are severed. At the same time, it has the relative autonomy vis-a-vis other Carlsberg subsidiaries. The headquarters in nearly every aspect of operation helped to insulate the Carlsberg stock from suffering fatally under the more recent political crisis and Ruble devaluations (because Carlsberg does not depend much on international trade to run its operations in Russia). However, we would argue that as long as the company's strategy of self-reliance continues, it exposes itself further to the dangers of devaluations archetypical to OBM. Namely, the government indirectly destroying the value of Carlsberg's capital.

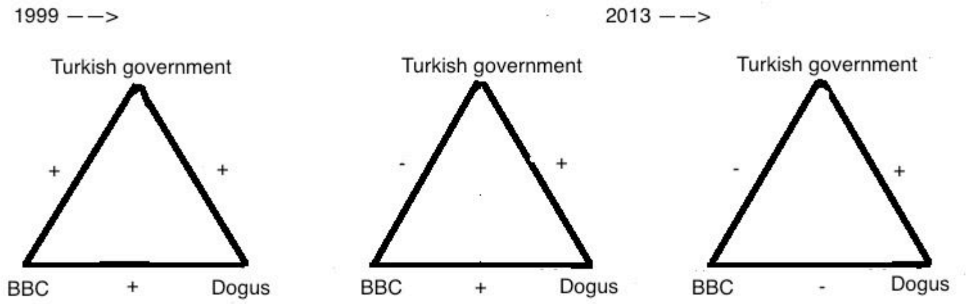

Figure 7: Dogus - BBC - The alliance that was dissolved overnight

The Dogus-BBC case is the most succinct and definitive in regard to obsolescing. The alliance ceased overnight as the BBC decided to discontinue its collaboration with Dogus. This was after Dogus failed to side with democratic values during the Gezi uprising. This could occur because the relationship was a strategic alliance, without sunk capital cost. Therefore, although it was not entirely costless to dissolve, it did not involve the sale or dealing in equity shares and direct financial losses associated with such as sunk cost. Furthermore, it may have been much more damaging for the BBC to have remained in the alliance when considering its global operations and reputation with global customers.

The case demonstrates the important influence that a triadic relationship has on an IJV or alliance stability. It is also an example of the unlikely outcome that no positive relationship is maintained with the host country government in an oligarchic environment. The fact that Dogus cannot operate without positive ties to the government is what forced BBC out, but did Dogus really have a choice? It was the influence the Turkish government had over the Dogus group, the indirect power the government exercised over local business groups that was the primary cause of obsolescence in this case. These circumstances demonstrated how difficult it can be for MNC's to choose an alliance partner and understand the full implications of collaborating with a local business. The media sector may be special because of its direct involvement with and contribution to the workings of the political system, but it is also apparent that the oligarchic states tend to have all-encompassing entrenched interests in capitalism.

Discussion and Conclusion

The aim of the paper has been to extend Vernon's OBM theory and examine the relevance of the revised model to collaborative ventures in the emerging market context and the new political realities of such bargains. Contextually, it addresses these ventures in countries that could be labelled as oligarchic, with the potential or de facto danger of breaking out into a warring or feuding type oligarchy as prescribed by Winters' (2011) theory of oligarchy. One of the main defining features of such warring oligarchies is the absence of a (strong) rule of law and therefore also the presence of an institutional environment that allows for what Rojas (2010) has coined 'institutional work' even in the quite short term. Unlike previous attempts to reform the theory by adding new layers or actors (as related in the literature review), we propose to alter the foundational basis of the OBM and thereby potentially (boundaries of what MNCs may experience in this environment) expand its relevance and external validity to incorporate most large-scale multinational firms in non-democratic authoritarian regimes.

Using an inductive-expansive approach we show using critical cases from international business that the OBM is relevant 1) in the new context of oligarchy (caused by attempted political transitions in the former more pure authoritarian regimes), 2) in the backwaters of privatisation waves which has led to the expansion of the OBM from a dyadic (between an MNC and a host government) into a triadic relationship in the foundations of the theoretical framework which incorporates a local private business partner as a central new actor, 3) not only in natural resource-intensive industries, but in most industries due to the entrenched interests of oligarchic rulers in the emerging market economies, and last not least 4) to most forms of entry and operation as organisational forms evolve and expand in emerging market economies.

Hence we use critical cases or the ‘boundaries’ of experiences in international business to demonstrate the relevance of the assumption that these foundations of the theory in fact have changed. Our case studies identified several new concepts and relationships that underpin changes to the context of operation and behaviour of a multinational firm. Firstly, we incorporated elements of game theory (including threat and trigger points) and network theory (including turning points and balancing to utopia) into the process of bargaining between multinationals and its two salient partners in the new triadic OBM. Secondly, we modelled the strategic behaviour in this new triadic relationship, explicitly recognising the potential use of the third partner to change the power balance and influence the ongoing changes in the power structure and capital stakes in an IJV. We showed that the number of possible outcomes multiply when the original OBM turns into a triadic relationship. Our analytical framework predicts that there are now up to 13 rather than 3 possible ways that IJVs and strategic alliances can obsolesce. With four cases, we demonstrated how a selection of these outcomes can play out and are of relevance to practice in the field. Using comparative cases from Turkey and Russia we also demonstrated the increasing complexity of the bargain in the process of democratisation and an important hypothesis that emerges from our study is that the transition to democracy involves increasing rather than decreasing levels of political risk for MNCs in the short to medium term.

Based on the cases we studied we were able to establish a heightened risk scenario under oligarchy. This was due to the triadic relationship that lies at the foundational level of a ‘new’ OBM after the attempted political transitions in the ‘old’ authoritarian states (or what oligarchy now implies for collaborative ventures in more traditional IJVs, strategic alliances and even what appears to be stand-alone privatised operations). In these cases, we have demonstrated that oligarchy signals an alteration rather than reduction in political risk (as shown with Figure 8). Based on the principles of methodological individualism (e.g., that the aggregate will not necessarily relate to experiences at level of the project and thereby be able to reflect risk as it is experienced on the ground in terms of de facto material damage) and the boundary-setting nature of using critical cases (as opposed to ordinary sampling techniques and logic), it is possible to generalise from our findings to what ***may be experienced*** when embarking on international business projects in warring-types of oligarchic regimes.

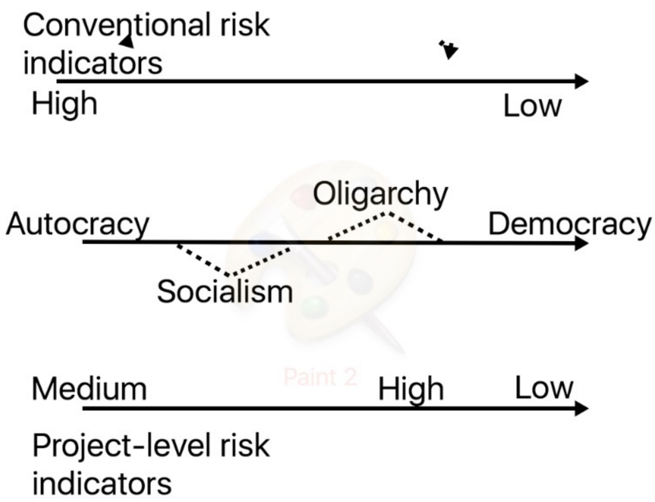

Figure 8: Transition, oligarchy and political risk

Recommendations

What are the recommendations from our paper to businesses and politicians (mainly in emerging economies)? 'Balancing to utopia' or maintaining stable positive relations in this triad as prescribed in network theory may be the best strategy in oligarchies towards reducing political risk for international businesses. This runs entirely contrary to the predictions we would ordinarily get from internalisation theory. Internalisation theory builds on the assumption that multinational firms are empowered in their new business environment in the host country and that they can choose accordingly, e.g., choose their optimal capital stakes given a certain level of 'transaction cost' perceived (see e.g. Kesternich and Schnitzer, 2010). However, this complex of theories (e.g transaction cost economics) run entirely contrary to another complex of institutional theories that start from a different vantage point with outset in sociology, where it is fundamentally the government and national institutions that decide and determine power relations and therefore also (economic) values and best options in any given society. While internalisation theory in many ways preach antagonism in international business relations, the normative implications of a sociological approach are quite different, as improved international relations in international business must be based on a common understanding of power relations. If emerging market governments want to build lasting societies they must offer stable institutions (such as those based on rule of law) that can foster trust and lasting relations to flourish in their societies. But as the paper demonstrates both sides of business-society have important stakes in this balancing act. Internalisation theory is therefore a poor vantage point for how development is achieved since it would appear only to foster more rather than less antagonism, increased opposition to globalisation and eventually a devaluation and destruction of any value that international businesses seek to create and capture in this business environment. We think these observations and recommendations are in accordance with the spirit, original mindset and developed from the same theoretical foundations as the classical OBM model, but relevant to the new context of bargaining in emerging economies.

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APPENDIX

TNK-BP in Russia

This case is mainly based on Bluhm, Vradelis, Threlkeld, Li and Gomez-Arias (2012) article. When supplementary sources are used this is mentioned in text. British Petroleum (BP) first entered Russia in 1997 through minority stakes in local companies. In 2003 a 50-50 IJV was entered into with a local business group of investors Alfa Access Renova (AAR) which held the local oil company TNK. AAR was owned by some of Russia's wealthiest oligarchs: Mikhail Fridman, German Khan, Len Blavatnik and Viktor Vekselberg (The Independent, 2006, The Telegraph, 2012). By 2007 TNK-BP accounted for 25% of BP's global production. But as time passed disagreements arose on the board of the IJV about the strategic vision over the future of the IJV. BP employees came under attack, for example, work visas of top executives were rescinded and eventually the British CEO was forced to run the company from outside of Russia.

The main criticism on behalf of TNK was that BP burdened the IJV with too many expensive expatriates, that BP ran the venture to best serve the interests of BP and prevented TNK-BP from expanding abroad. BP conversely accused TNK of focusing too much on the short-term, lacking a strategic vision and only being willing to invest for low hanging fruit. Eventually a new CEO was appointed, but the situation never fully improved on the board. The final blow to the IJV came in January 2011 when BP signed an Arctic exploration deal with the Russian state-owned enterprise Rosneft (The Telegraph, 2012). AAR effectively broke off the Arctic agreement for BP since the local business group argued that the deal with Rosneft would be in breach of TNK-BPs shareholder agreement. The exploration deal went instead to Exxon Mobil. Shortly after, in 2012, BP announced an intention to sell its shares in TNK-BP (The Guardian, 2012, The Telegraph, 2012). AAR wanted to potentially acquire the IJV. However, it was the government owned Rosneft that ended up taking over BPs shares in 2013 and shortly after it was announced that Rosneft had also bought out AAR. Effectively TNK-BP has become a majority state owned Russian company. But somewhat surprisingly BP succeeded in retaining a minority shareholding of around 12% (BVD: Zephyr Database), whereas AAR ended up divesting all its shares. The role of key negotiators on both sides of the redesigned IJV between BP and Rosneft has raised questions among anti-corruption experts (OCCRP, 2017).

TEKEL - BAT in Turkey

This case is mainly based on Lawrence's (2009) study. When supplementary sources are used this is mentioned in text. Before entering the Turkish market upon liberalisation in the 1980s British American Tobacco (BAT) followed its conventional strategy, namely, seeking IJVs with state owned companies. This was the continued strategy of BAT all the way up until 2000 when it finally gave in and decided instead to enter a strategic alliance with a local business group. Initially BAT was in a very good position, benefitting from strong ties to the Ozal government from 1983 onwards where BAT was invited into the privatisation process managed by Ozal's son. However, throughout the 1980s and 1990s it was clear that the ongoing IJV negotiations were unsuccessful due to the differing interests of BAT, TEKEL and the alternating Turkish governments (which mostly wanted to or were under pressure from the IMF to privatise TEKEL). Finally, in 1996 the new Yilmaz government announced the privatisation of TEKEL. However, BAT managed to temporarily disrupt this plan and continue the IJV negotiations.

In the incredibly long negotiation period—which was also a very politically turbulent period in Turkish history—the IJV continued to meet opposition from a wide range of stakeholders, both insiders and outsiders to the Turkish tobacco giant (and state monopoly since 1939). In 2001 BAT gave up, at least temporarily, these negotiations and turned to an alternative entry strategy. This was a collaboration with the Turkish Koc family, which represents one of Turkey's major conglomerates or business groups (see Colpan, 2010). Backed by the Koc family BAT could now finally proceed with its market entry plans and build among others a new factory in Tire, Izmir in 2002. BAT started exporting tobacco products from Turkey in 2006 and has since been Turkey's largest tobacco exporter (according to The British Chamber of Commerce in Turkey, www.bcct.org). After several public tender rounds, as well as negotiations between the Turkish government and other potential foreign investors, BAT finally acquired TEKEL in 2008 in a public auction at the price of $1.7 bn (The Telegraph, 2008). Shortly after this acquisition the Turkish market for tobacco products was significantly altered, with a reinforcement and strengthening of laws regarding the banning of smoking in public spaces, including restaurants, bars and cafes. Hence, the value of the TEKEL investment from the perspective of BAT suddenly decreased. In the first year after the purchase was made the market for tobacco products shrunk by around 15% (Warren, Erguder, Lee, Lea, Sauer, Jones and Bilir 2012). Despite these legislative efforts, the Turkish government has continued to be relatively passive in preventing the sales of illegal tobacco products, which are estimated to represent up to 20% of the consumption of tobacco in Turkey (Bilir, Cakir, Dagli, Erguder and Onder, 2010). However, a new banderol system was introduced in 2007, making it easier to enforce the law against illicit tobacco sales.

Baltika Brewery - Carlsberg in Russia

This case is based on the stock analysis by Imsgård (2015), the Baltika Breweries (BB) case analysis from MarketLine (MarketLine, 2014), the official webpage of the Russian subsidiary (http://eng.baltika.ru/), Danish stock market data, newspaper clippings and online interviews with Carlsberg's CEO Jørgen Buhl Rasmussen that have been made publicly available on YouTube. In addition, we used financial data for Baltika Breweries (the Russian Subsidiary of Carlsberg) and Carlsberg A/S (the Danish Mother Company) as available from the BVD: Orbis Database and the BVD: Zephyr Database.

Carlsberg started in earnest its Russian operations in 2001, when it bought around 50% of the shares in the recently established Baltika Breweries. Baltika Breweries (then Baltic Brewery Holding—BBH) was only for a brief period a state-owned entity. Through the 1990s political transition in Russia the remaining shares were held by various foreign investors, including Scottish & Newcastle. In 2008 Carlsberg and Heineken took over Scottish & Newcastle and divided the shareholdings. Carlsberg hereby secured majority ownership of the Russian subsidiary and became effectively the largest beer brewer on the Russian market with a market share of around 40%. This move also exposed the global profits of Carlsberg stockholders to the Russian market with nearly 50% (FT, 2014).

In 2012 Carlsberg became the sole owner of the Russian subsidiary. Baltika Brewery is a relatively independent subsidiary, currently considered to be one of the leading players in the Commonwealth of Independent States region. It has been Carlsberg's continued policy in Russia and elsewhere to buy out local owners whenever possible, thereby mitigating any risk of collaborative ventures turning sour over time. However, this has not insulated Carlsberg from being affected by political risk. In 2009 Baltika Brewery faced its first major crisis, when the Russian government suddenly increased taxes on alcoholic beverage by 200% (FT, 2012), made advertising of alcoholic beverages illegal and drastically reduced the number of possible sales outlets. This brought Carlsberg stock to an all-time low.

More bad news came to Carlsberg stockholders in 2014 when the Rubble was devalued and the EU-Russia crisis broke out in full, following the crisis in Ukraine and the annexation of Crimea (Berlingske Business, 2014). This time the Carlsberg stock was not affected, but two Danish bankers estimated the cost from these events to be in the order of 100-150 million Euro when and if the profit is repatriated (Politiken, 2014, Ritzau Finans, 2015). During 2014 it was announced that 2 of the 10 Baltika Breweries were to be closed because of declining sales in Russia. In 2017 Carlsberg faced a new crisis when the government suddenly placed a seemingly idiosyncratic ban on 1.5 litre plastic bottles which mainly affected Carlsberg, but not its competitors, who sell their beers in smaller plastic bottles (Bloomberg, 2017).

Dogus - BBC in Turkey

This case is sporadically available in foreign languages. Hence, we draw mainly on data available from foreign language newspaper clippings, journal articles, the BBC's press office and information provided by a Turkish speaking professor. The Dogus Group is an example of one of Turkey's many large family owned conglomerates or business groups. It is Turkey's 3rd largest private business group (Colpan, 2010). The group has invested across industries as diversified as finance and banking, automotive, construction, real estate, media and tourism. Dogus's largest interests are in the media where the company has a high number of alliances with international television channels such as the BBC, CNN, CNBC and the National Geographic Channel (www.dogus.com.tr). The local brands of Dogus Group are NTV and Kral TV which count among Turkey's most popular nationally branded TV channels.

Several companies including the Dogus Group have recently come under attack from the Erdogan Government in a media war of the oligarchs. Since 2011 the Turkish AK-Party (AKP) has been estimated to control effectively more than two-thirds of the free media. Many newspapers and media networks have been taken over by AKP friendly organisations and businesses. Media that is not friendly to the sitting government is intimidated in various ways. AKP unfriendly columnists have been fired. Businesses with interests in media and especially if politically active have been fined, scrutinised by tax authorities or had their public contracts cancelled for arbitrary or irrational reasons.

In 2013 the situation escalated from the perspective of the BBC, with the Gezi Park uprising. In the summer of this year protesters flocked around the Taksim Square in Istanbul. They were protesting the government's plan to build a shopping mall on this same land that holds the highest symbolic value for free popular expressions, civil liberties and ultimately democracy in Turkey. Through social media the protests multiplied across parks all over Istanbul, as well as several demonstrations which took place in Ankara. 11 demonstrators were killed and more than 8,000 were injured in skirmishes with the Turkish police. Social media was also used by the government to attack reporters. A BBC reporter was threatened online and physically during the protests, many journalists and reporters were subject to similar types of abuse (Yaman, 2014). NTV and CNN did not air the protests. CNN chose instead to air a documentary on penguins. Subsequently these self-censored media stations came under heavy attack from the Turkish population and demonstrators flocked the streets dressed up as penguins. The result was that as strategic alliance partner, the BBC decided to immediately end its partnership with the Dogus Group (BBC, 2013).

The Dogus Group was also heavily boycotted due to its inaction during the Gezi Park demonstrations. A significant number of retail customers closed their accounts with Dogus owned Garanti Bank. The Koc Group was also sanctioned during the Gezi Park uprising for harbouring demonstrators in the lobby of the Divan Hotel in Taksim. Subsequently the government cancelled a $1.5 billion defence contract with the Koc Group (Cornell, 2013).

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