

**STRONG STATE, WEAK MANAGERS:
HOW FIRMS COPE WITH AUTOCRACY IN HUNGARY**

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Abstract:

This paper investigates how companies manage risk associated with political ties in the context of the ‘return of state capitalism’. We show that findings from previous studies of firms’ copying strategies under autocratic regimes are of limited relevance in the context of Hungary, because they lack a sophisticated, theoretically underpinned conceptualisation of ‘the state’. We develop a more fine-grained analysis of the role of the state in emerging markets. We then show that the type of ‘state capitalism’ that is emerging in Hungary poses unique challenges to companies with implications for existing theories of companies’ political ‘buffering strategies’. Based on interviews with business leaders in Hungary, we identify two coping strategies: responsiveness –whereby firms accommodate state pressures by giving in to them – and a non-responsive strategy of ‘dormancy’, which consists in firms putting forward-looking activities on hold and focussing on survival. We discuss implications for theories of corporate political risk management.

JEL Codes: P16, P26, H13

Key words: State capitalism, political ties, corporate strategies, clan state, post-socialism, autocracy

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1. Introduction

Firms' political strategies and their management of their ties with governments and politicians have become increasingly relevant topics in international business research in recent years due to what has been termed the 'return of state capitalism' in different emerging market economies (Bremmer 2008). In such a context 'political embeddedness' (Kilduff & Brass 2010) becomes a key factor for success and survival of companies (Meyer & Peng 2016, Basu et al. 1999, Greening & Gray 1994, Henisz & Zelner 2003, Hoskisson et al. 2000; on Hungary (Danis, Chiaburu, & Lyles 2010, Steensma, Tihanyi, Lyles, & Dhanaraj 2005).

Political ties deserve hence arguably more attention from management scholars than they have so far received. Indeed, Sun et al. (2015) call for qualitative research that investigates informal linkages between business people and politicians in emerging markets. Two areas are particularly lacking: Firstly, the extant literature on political ties mainly focuses on the impact of political ties on outcomes but largely neglects, to investigate the precise nature and the heterogeneity of political ties. Indeed, political ties may vary within and across countries and different types of ties may have different impacts on firms (Sun et al. 2015). Secondly, there is little research focussing on the context of politicised economies themselves. The few studies that do exist, are largely empirical and pre-theoretical in terms of the political context and nature of the state (e.g. Dieleman & Boddewyn 2012). A thorough understanding of companies' ways of managing political ties and political resources, however, requires not only a focus on the organisational level, but also an in-depth investigation of 'how the political environment works' (Bonardi 2011: 250).

In the present study we attempt to contribute to the study of political ties in emerging markets by addressing both limitations. Firstly, by focusing on the recent phenomenon of 'the return of state capitalism' in a transition economy, we add a substantively new type of politicised capitalism and accordingly new types of political ties. Secondly, drawing on the business systems and the transition literature, we attempt to develop a more sophisticated theoretical framework to characterise the nature of the state in this context. Such an in-depth understanding of what autocracy is and how it may vary from one context to another is crucial to further our understanding of how companies manage political ties. This is particularly true in countries that have recently seen a shift towards more state-led economic systems (see e.g. Economist 2012) or to a 'New Statism' (Wood & Wright 2015). We thus, reply to calls for management scholars to develop a 'political perspective' of the role of the state and a more sophisticated theory of the political system (Bonardi 2011; Child et al. 2012).

Drawing on theories of post-socialism from different fields allows us to overcome ‘the theoretical myopia of single-discipline explanations’ (Child et al. 2012: 1269). We adopt a co-evolutionary approach (Child et al. 2012, Rodrigues & Child 2008, Cantwell et al. 2010) to bring together an analysis of the macro-level firm environment and insights from the resource – dependency view’s focus on buffering and bridging strategies at the micro level (Dieleman & Boddewyn 2012).

Based on this conceptualisation, we attempt to uncover the mechanisms that underlie state-business relationships in emerging market economies (Dieleman & Boddewyn 2012, Peng 2003, Martin 2002, Newman 2000, Wedel 2003) in the new context of the rise of ‘state capitalism’. While much has been written about post-socialist business systems, even recent scholarship still largely ignores this recent ‘return’ of state-centred policies in several transition economies (e.g. Martin 2013). This is also because, in management studies, our theoretical and conceptual tools are generally too limited to accurately capture the nature of this phenomenon. We therefore draw on studies from other fields in order to provide the strong anchorage in a theory of how the political environment works. The qualitative approach allows us to further our understanding of the heterogeneity of political ties (Sun et al. 2015), by showing how the business actors involved in such ties perceive and manage them.

We chose Hungary as our country case, because it was at one stage arguably the most open and advanced transition economy (EBRD 2005). However, it has equally dramatically left the Western reform path since the election of the national-conservative *Fidesz* government under Victor Orbán in 2010.¹ Therefore, Hungary can be considered a ‘revelatory case’ to investigate the phenomenon of interest (cf. Eisenhardt 1989; Yin 2003).

The paper is structured as follows: The next section reviews the literature on the role of the state in transition economies and on political ties. After presenting our method, we present our empirical evidence from interviews with top-level managers in Hungary. A first empirical section analyses the evidence relevant for the characterisation of the new context in Hungary that has been termed ‘the return of the state’. A second section investigates the firm-level reactions to this situation. A final section concludes.

2. Post-Socialist Capitalism: From politicised managerialism, to state capitalism?

Various authors have proposed characterisations and classifications of the type of capitalism that is emerging in post-socialist states. Some Central and Eastern

European (CEE) countries, notably the so-called Visegrad countries (Poland, Czech Republic, Slovakia, and Hungary), had transformed their industrial structure – to a significant extent with the help of Western Multinational Companies (MNCs) – and became serious competitors of Western countries for relatively high value-added activities (Orenstein 2013, Martin 2013, 2008, Noelke & Vliegenthart 2009). Yet, the emerging business system was still considered distinct from Western countries, because it was more strongly based on personal relationships not only among economic actors, but also with politicians. Indeed, the Eastern European variety of capitalism was variously classified as ‘network capitalism’ (Boisot & Child 1996), ‘politicized managerial capitalism’ (Martin 2002), or – more normatively – as ‘crony capitalism’ (Kang 2002, Sharafutdinova 2010). This form of capitalism is characterised by economic transactions taking place through informal, opaque, personal relationships, as opposed to market transactions. Martin (2002) argued that under ‘politicized managerial capitalism’ political ties play a crucial role for managers and involved struggles between the state and managers for control over firms. Martin (2002: 833) sees ‘politicized managerial capitalism’ as the result of an evolution that saw ‘the influence of the state on the enterprise’ decline. By the beginning of the 21st century, managers dominated the political relationships due to politicians’ lack of legitimacy and expertise. Consequently, one could describe this first phase of transition from the late 1980s or early 1990s up to the early 2000s, as a phase where business leaders had captured the state and states were generally weak.

Since the mid-2000s, however, the state in some CEEs has gained the upper hand in this struggle and is now in control of the managerial elite. Partly due to the disillusionment of local populations with Western style capitalism-with-democracy model, politicians in various transition countries started to abandon the (neo-)liberal policies that were promoted by international organisations such as the EBRD or the IMF (Orenstein 2013). Arguably, this has led to the emergence of new features of CEE capitalism. The most important of which were the governments’ adoption of a more hands-on approach to the economy and increasingly centralised control over politics. As a corollary, important personalities who play the role of ‘linchpin’ that coordinates and moderates between different powerful informal groups within the elite emerged in various countries (Sharafutdinova 2010: 176). The return of state capitalism in many countries was indeed often orchestrated by a strong leader figure: Alexander Lukashenko in Belarus, Leonid Kuchma in Ukraine, Vladimir Putin in Russia, Victor Orbán in Hungary, and – to a lesser extent – Robert Fico in Slovakia.

The management studies literature has not analysed this trend in any systematic or in-depth fashion. Indeed, some scholars have recently argued that the term

transition economy has lost its meaning, as these countries are now increasingly similar to other emerging market economies (Meyer & Peng 2016). We believe that this is underestimating the still very specific context of CEE in particular after recent changes in the role of the state. Some studies in the field of management have acknowledged the importance of a political perspective in particular in ‘highly institutionalised environments’, i.e. where the state plays an active role in the economy (cf. Child et al. 2012, Rodrigues & Child 2008, Dieleman & Sachs 2006). In these studies, the state is seen not just as a ‘relatively passive guardian [...] of the rules of the market game’, but as ‘active players in the game’ (Child et al. 2012: 1248). Yet, these studies mostly focus on the micro-level and investigate how different companies interact strategically with branches of the government to influence their institutional environment. Moreover, relying on case studies from various countries, including Indonesia (Dieleman & Boddewyn 2012; Dieleman & Sachs 2006), China (Child et al. 2012), Russia (McCarthy & Puffer 2007; Okhmatovskiy 2010), these studies tend to neglect that ‘states’ and ‘governments’ vary considerably not just across countries but also within countries over time (cf. Whitley 2007). Given the importance of the state and political ties, this is a serious limitation.

Most authors, commentators, and politicians see the recent return of more state-led economic policies and active states in emerging markets simply as a policy re-orientation towards a more active use by the state of its economic policy instruments (Economist 2012, cf. Ebenau & Libertatore 2013). That is also how the advocates of the new state capitalism, such as former Brazilian minister Bresser-Peirera (2010), promote the new state-centred strategies of development adopted in certain emerging economies. However, we argue that viewing state capitalism simply as a return to the developmentalism of the 1960s and 1970s, misses an important aspect of the resurgence of state capitalism. At least in the Eastern European case, the return of state-capitalism constitutes a more fundamental change in the nature of the post-communist state.

This view is supported by various in-depth ethnographic studies that show that the return of state capitalism in that part of the world was accompanied – or even caused – by a much more profound transformation of the state and the underlying elite structure than simply a change in economic policy. Wedel (2003) classifies Russia as a ‘clan state’² as opposed to other post-soviet states, which she categorises as ‘partially appropriated state’ (PAS). The latter designates a state ‘in which informal groups [...] take over from the state, or privatize, certain functions [and] informal groups work with relevant state authorities or what is left of them, but the group as such is not synonymous with the authorities’ (Wedel 2003: 433). The ‘clan state’, on the other hand, is one where ‘certain clans [...] are so closely identified with particular ministries or institutional segments of the

state that the respective agendas of the government and the clan become indistinguishable' (Wedel 2003: 434). Ledeneva (2013: 69) describes Russia's recent transformation in similar fashion as the move from 'state capture' by oligarchs under Yeltsin to a 'business capture' by state officials under Putin. Thus, the shift toward state capitalism constitutes an increased colonisation of the state by certain informal groups, 'clans' (Wedel 2003), or 'power networks' (Ledeneva 2013).

Arguably most post-communist countries, including Hungary, resembled for a while the definition of a PAS (Wedel 2003). However, several of them – first Russia, but then also Bulgaria, Romania, Hungary, and – to a lesser extent so far – Slovakia have moved closer to the clan state model, because one particularly powerful clan has emerged that manages to use the state in an instrumental way to favour their own interests. As we will show below, the concept of the 'clan state' certainly applies to the Hungarian state under Orbán.

Types of autocracy and the consequences of the emergence of the clan state

As Eastern European states have become more powerful, interventionist, and autocratic, market-supporting institutions have once again become less certain. The state has become less predictable and more arbitrary than during the initial EU- and IMF-led phase of transition. While uncertainty and arbitrary state intervention may be a hallmark of any autocratic regime, the aggressive pursuit of clannish interests via the state, is distinct from the situation in other autocratic regimes.

At a general level, one important mechanism in coping with autocratic regimes is simply maintaining personal ties with politicians. The management literature generally sees such ties as necessary for companies to secure 'political resources', while politicians mainly use them for rent-seeking. Scholars acknowledge, thus, that these ties are used instrumentally. Yet, they also assume that opportunistic ties 'allow trust and mutual indebtedness to develop beyond the original impetus for the relationships' (Sun et al. 2015: 11). Such personal ties were a feature of the early phase of transition in CEE countries (Martin 2002). Under the clan state, however they have been transformed from a strategic resource and from a means to create trust into a 'golden cage' (Sallai, 2013). Firms have to be 'locked into' this golden cage of political ties to survive, but these ties allow the state, at the same time, a close control over firms. Political ties under the clan state are hence of a different type than those observed in other cases in the sense that they are more focused on rent-seeking without their being the beneficial side effect of trust creation. For incumbent firms, the raise of the clan state may imply 'reactivating' previous strategies of dealing with the needs of a politicised and relationship-

based system under late communism and early capitalism. New companies and foreign MNCs, however, can be expected to develop and manage political relationships in new ways.

The most relevant existing study of political ties under autocratic regimes is in Dieleman and Boddewyn's (2012) study of an Indonesian family-group under the Suharto regime (also Dieleman & Sachs 2008). Drawing on a resource dependence approach and investigating the question of organisational design, they find that the Salim Group developed an organisational structure characterised by opaque relationships that aimed to mitigate the potentially negative impact of political ties on the different businesses owned by the group. They conclude that a compartmentalized business-group structure constitutes an effective organisational response – or a 'buffering strategy' – to an autocratic political environment (Dieleman & Boddewyn 2012: 91).

However, Dieleman and Boddewyn (2012) and Dieleman and Sachs (2008) largely focus on the organisational level and do not analyse the nature of the Suharto regime in any detail, which makes it difficult to assess the generalizability of the finding beyond the specific case.

Arguably, the situation in Suharto's Indonesia is fundamentally different from the current situation in many Eastern European countries in terms of the degree of uncertainty and the predictability of the regime's actions. Suharto's regime was in place for more than thirty years (1965-1998), which created a 'long-lasting dependence relationship' that was 'made up of 'rounds' wherein power imbalance and mutual dependence fluctuate' (Dieleman & Boddewyn 2012: 88). The mutual dependence and long-term nature of the relationship is fundamentally different from the situation in Hungary, where a relatively young regime is in place. One could argue that the state business relations in Hungary may evolve over time into something similar to Suharto's Indonesia. However, the situation is also qualitatively different even if compared to the early years of the Suharto regime: As we will argue below, the very aggressive strategy of the Orbán clan aims at promoting the clan's interests, as opposed to the early Suharto regime's pursuit – besides personal ambitions and power aspirations – of collective goals, most importantly the goal of 'industrializing the country and opening it to foreign trade' (Dieleman & Boddewyn 2012: 80). In Hungary under Orbán, like in other Eastern European clan states, no concern for the 'public good' can be detected. The extent to which a state is orientated towards the 'collective interest' is an important distinguishing feature of different types of states (Whitley 2007). Hungary under Orbán must hence be considered a different type of state than autocracies such as Indonesia under Suharto.

This difference has important implications for 'coping' or 'buffering strategies'

in the context of an autocratic political system. The specific context of the long-lasting Suharto regime allowed firms to count on a relatively stable – albeit autocratic – institutional framework with relatively low uncertainty regarding major institutional upheaval. As a result, companies could develop their buffering and bridging strategies over time, leading to responses at the level of organisational structures (Dieleman & Bodewyn 2012). This reaction to autocracy can be seen as an ‘asset concealment’ strategy, which is one of four strategies to cope with state predation that are often identified in the literature (Duvanova 2007, Markus 2012). Changes in ‘organisational structuring’ constitute profound second order organisational change (Meyer et al. 1993). Second order changes are unlikely in situations where the institutional context is changing rapidly and radically. Newman (2000) argues that institutional upheaval and uncertainties prevent organisations from effectively adapting to environmental changes. We therefore hypothesise that, depending on the level of uncertainty, different types of autocracy will lead to different coping strategies.

The literature suggests at least three other coping mechanisms than changes to the organisational structure: capital flight, bribing, and stakeholder alliances (Duvanova 2007, Markus 2012). The first two of these, are arguably two opposite extremes: the first one simply implies that companies move their assets outside of the territory concerned, which implies for foreign subsidiaries to close down or sell off their local operations. For domestic companies it would imply an arguably more drastic measure to move the headquarters and operations abroad, thus completely ‘opting out’ of the country in question. Bribing, on the other hand, essentially means that the company gives in to the political pressures and attempts to assure survival by ‘playing’ by the regime’s rules. The third one, is less fatalistic in nature and consists in companies’ forming business associations and stakeholder alliances in order to combat corruption through political channels (Duvanova 2007, Markus 2012). Thus, Duvanova (2007: 441) writes ‘[...] increasing bureaucratic pressure on businesses stimulates collective action to combat corruption’. We hypothesise that these three coping strategies are more likely reactions in the case of Hungary given the level of uncertainty present under the Orbán regime. We empirically investigate all four coping strategies in the empirical section below.

Another limitation of Dieleman and Bodewyn’s (2012) study is the focus on one specific type of companies, i.e. private family-owned business groups. Family groups certainly play an important role in emerging market economies. Yet, particularly in post-communist countries, there several other types of companies, which may or may not react in the same way as family groups. Thus, besides private companies (family-owned and others), scholars usually distinguish privatised former SOEs, SOEs, subsidiaries of foreign MNCs, and newly created

companies (Martin 2002, 2013, Meyer & Peng 2016). We can hypothesise that different types of companies use different coping strategies depending on their specific capabilities and resource dependencies.

The remainder of this paper investigates the mechanisms underlying political ties in a clan state and the strategies that firms adopt to manage them.

3. Data and Method

Research design

We focused on Hungary as a single country case and carried out interview-based qualitative research combined with research on the political context and individual companies using secondary data. We selected Hungary as a revelatory case, because it is arguably one of the most extreme cases of a shift away from an emerging relatively liberal democratic regime after the fall of communism, towards a more authoritarian type of state. In 2005, the EBRD (2005) designated Hungary the most advanced country in its transition to a western-style capitalism. Ten years later, the picture had dramatically changed: Despite some recent setbacks for the Fidesz party, Hungary now is essentially controlled by a single party. The emerging competition from the far-right Jobbik party, if anything, is likely to push Fidesz even further away from a liberal-democratic reform course. Since Fidesz came to power, many liberalisation and privatisation measures of the 1990s have been reversed (e.g. re-nationalisation of the pension system). Hungary can therefore be considered as a ‘critical case’ of the ‘return of state capitalism’. Critical cases help us explore patterns that may not be easily recognisable in an average-, or typical case.

Data

Our empirical analysis is based on 39 semi-structured interviews conducted between 2009 and 2015. We chose to carry out semi-structured in-depth interviews, because they constitute an insightful method for exploring the ‘often nuanced causal factors of specific managerial action’ (Lawton et al., 2013: 231) and because they allow us to uncover the mechanisms underlying socio-economic phenomena.

We targeted the largest companies in Hungary, but also included smaller ones, because we aimed to constitute a sample comprised of all categories of companies commonly distinguished in the transition economy literature. Indeed, both Peng (2003) and Martin (2008) identify three groups of companies: privatised

incumbent firms, foreign new entrants, and domestic new entrants (*de novo* firms).

This sampling method may have led to a certain self-selection bias in that we only obtained access to a certain type of companies. We mitigate this possible bias by selecting participants from a wide variety of sectors and types of companies. Furthermore, we included additional interviewees from the context of the case and used secondary data to double check interviewee's factual claims.

The interviewees include top managers of private and public firms. The final sample included 17 top managers (CEOs, vice-CEOs, board members, heads of business units) of Hungarian firms, 16 CEOs and PA directors of local subsidiaries of multinational companies (MNCs).

We obtained an additional 6 interviews with actors from the 'context' of the case.

The secondary data we used to check the reliability of the interview data included information available on corporate websites, journalistic sources (including the Hungarian economic weekly HVG, Bloomberg.com, the Telegraph, Reuters.com, EurActiv, and The Economist) and reports by NGOs such as atlatszo.hu and Transparency International.

We used an abductive inference approach for this study: Starting from our interview- and secondary data we applied existing theories to our case in order to find suitable explanations for the phenomena we observe. This allowed us to extend the existing theory based on new insights emerging from our data.

4. Towards a 'Clan State': The Mechanisms Transforming Political Ties

This section presents our empirical results from the in-depth interviews with a view to deepen our understanding of how the political environment works in the specific case of a 'clan state' (cf. Bonardi 2011).

In this section we present evidence that shows that the assumption that political ties necessarily facilitate relationships of mutual indebtedness and trust (see above) does not hold for political ties under the type of clan state that is emerging in Hungary, because state-business relationships are coercive rather than cooperative. We first use Wedel's (2003) typology of different types of states to interpret different mechanisms through which the Hungarian state has since 2010 transformed political ties with businesses. Based on our interviews and secondary materials, two mechanisms emerge: firstly, the colonisation of the state bureaucracy and use of legal reforms; secondly, re-nationalisations of companies.

These mechanisms allowed the regime to take back power from the business elite that was – according to Martin’s (2002) analysis of ‘politicised managerial capitalism’ – largely in control of the country’s economy. We interpret these changes as a passage from a ‘partially appropriated state’ to a ‘clan state’ as described by Wedel (2003). Based on this analysis of the political environment we then analyse how businesses perceived and responded to these institutional, legislative and economic changes and what kind of strategies they developed.

Colonization of the state bureaucracy

Since the 2010 elections, the conservative coalition of Fidesz and its junior partner, the Christian Democratic People’s Party (KDNP), have held more than two-thirds of the seats in the parliament. The second-biggest faction is the oppositional Hungarian Socialist Party (MSZP), with 29 seats, followed by the far-right Jobbik with 23.

Using its supermajority and its power to change the constitution single-handedly, the current government has ‘systematically undermined the system of checks and balances through legislation, the adoption of a new constitution, and frequent constitutional amendments’ (Kovács, 2015: 273). Fidesz has used its control over parliament to ‘create a system based on the monopolization of the most important elements of political power’ (Bozóki, 2011: 650). The government introduced a new ministerial structure that centralised decision-making. The government appointed people close to Fidesz to key positions. It thus weakened the independence of state institutions, which previously played important roles in counterbalancing the state’s powers (Transparency 2012_b), such as the State Audit Office, the Prosecutor’s Office, the Hungarian Financial Supervisory Authority and the Budgetary Council (Bozóki 2011: 652).

Moreover, the government ‘colonised’ the state bureaucracy through political appointments to important positions. The government also introduced legislation that made it possible to dismiss public officials without cause. This made ‘the cleansing of the entire government apparatus’ (Bozóki 2011: 652) possible. Thus, a former Fidesz member of the parliament has become President of the Media Authority, while the spouse of a prominent Fidesz Member of European Parliament (MEP) became Head of the National Judicial Office (Bozóki 2011). The majority of the Constitutional Court are also Fidesz-appointed judges (Kovács, 2015: 273).

The autonomy of the state apparatus from particularistic interests is commonly considered to be key to the state’s playing a positive role in the economy (Evans, 1995, Whitley, 2007). This account is reflected in our respondents’ perception of

the declining autonomy of the state apparatus from Fidesz. From the company's perspective the main change implied that civil servants now act mainly following political motives, rather than professional criteria.

'[P]ublic administrators are very much threatened – today they can be fired without a reason. It is not necessary [for Fidesz politicians] to even give them a mandate to do this or that, because they are so scared that they want to please politicians. If the shadow of a doubt lies on somebody that he does not accept the 'National Cooperation System'³ to 100 per cent then he is in trouble. Consequently, even the lowest-level administrator wants to prove that he is a good, loyal employee of the government.'⁴

Consequently, public sector career paths have dramatically changed. Instead of a meritocratic, long-term career progression, based on formal competences and experience, political loyalties and uncertainty now prevail.

'I know somebody, who used to work for a ministry two years ago, and since then he cannot find a job. Just because he worked there at the time of the other government. It is worse than China.'⁵

The job insecurity for civil servants and demand for political loyalty is combined with a strong centralisation of decision-making. Even top-level civil servants and ministers' decision-making powers are very limited, because many decision-making powers are concentrated in the Prime Minister's hands. As an example, a representative of a subsidiary of a foreign MNC was present at a meeting with a ministry involved in the introduction of so-called 'crisis taxes' in certain industries. During the meeting it became clear that even the Secretary of State needed higher level approval to meet with industry representatives:

'When the crisis tax was introduced a State Secretary met us – in our role as representatives of the trade association - in the Ministry of Economy and he said to us that he had been 'authorised' to meet us.'⁶

Another respondent stated that:

'I believe that today the power is in one hand – Orbán's. Not even his ministers know which way to go. So this adds to the uncertainty. People do not know what they can or cannot do. People cannot operate.'⁷

The information from our interviews is confirmed by secondary sources. Thus, the watchdog Átlátszó.hu speaks of 'state capture' by interest groups under the Orbán administration (atlatszo.hu, 2012). The article claims that close friends,

relations, and business partners of leading governing politicians acquired top positions in key economic ministries, state authorities and state-owned companies, where they provide unfair advantages to certain business partners. The Hungarian press has investigated several cases where strong links are suspected to exist between Orbán and private businesses favoured in state investment projects (Haász and Molnár, 2012, Pethő, 2011). HVG, the Hungarian business weekly has published an investigation about a network of more than 100 companies owned by two businessmen, who are closely linked to prime minister Orbán (Rádi and Vitéz, 2012). Lajos Simicska (owner of Közgép Zrt.⁸, and previously Chair of the National Tax Authority, under the 2002-2006 Orbán government) and Zsolt Nyerges (CEO of Közgép Zrt.) are the owners of private firms that since 2010 have won public tenders of a value of more than 300 billion HUF (Rádi and Vitéz 2012). In 2013 alone, Közgép and its partnerships have won approximately 14 percent of all public tenders in Hungary (HVG, 2014).

Through personal ties, private business interests exhibit close linkages with public offices. Zsolt Nyerges, besides being the CEO of Fidesz-related Közgép Zrt., is also the brother of Attila Nyerges, who became the main political adviser of Lászlóné Németh, the current Minister of National Development. The Ministry of National Development supervised the largest Hungarian public companies and controlled more than 570 billion HUFs worth of public funds in 2012 (Pethő 2012).

In the 2010 change in government many of Közgép Zrt's top managers were invited to work in the public sector or got appointed as CEOs of SOEs. One of its directors, Zoltán Schváb got appointed as state secretary of the Ministry of National Development, another previously Közgép employee, Csaba Baji became CEO of MVM Group (Hungarian Electricity Ltd.), Péter Gopcsa got appointed as CEO of OVIT National Power Line Company Ltd., Zoltán Kövesdi became chair of the Public Procurement Authority, while for instance Zoltán Petykó became chair of the National Development Agency (Magyar, 2013: 242). These transitions from Fidesz-related Közgép into key state positions and to the top of SOEs shows that the boundary between the state and the economy has become increasingly blurry. By 2015, the 'government and the legislature continued to use their power to serve the business interests of friends and clients and to manipulate public procurement' (Kovács, 2015: 271), as is illustrated by a number of corruption scandals linked to individual politicians. This is a key feature of a clan state according to Wedel (2003).

However, the case of people close to Közgép Zrt also illustrates that the clan state is an environment of high uncertainty even for the people closest to the very top of the state hierarchy. Thus, after the 2014 elections, PM Orbán and his former dormitory roommate Lajos Simicska have fallen out (Hungarian Spectrum, 2015).

As a result Közgép Zrt's income from public tenders has drastically decreased, while a suddenly introduced special media tax disproportionately affected RTL Klub, the second largest commercial media channel in Hungary in which Simicska had significant stakes (Kovács, 2015).

Reallocation of ownership through the power of the state

The second mechanism to turn political ties into instruments of state control was through the reallocation of ownership through legal reforms, the nationalisation and subsequent re-privatization of companies, as well as forced buy-outs (FBOs).

Nationalisations started in 2010, when at one of the largest aluminium manufacturers, MAL Zrt, a red sludge reservoir burst, killing eight people (Dunai, 2010). Using the accident as a pretext, the Parliament nationalised MAL a few days after the disaster (Day 2010). Similarly, in 2012 the government declared its plans to re-nationalise the gas sector by buying back E-On's Hungarian gas business (EurActiv, 2012, Than, 2012). Also in 2012, the state bought back 21.2 per cent of the previously privatized national oil and gas corporation MOL, from the Russian oil company Surgutneftegas (BBJ, 2012).

Besides nationalisations, the cabinet has also changed the 'playing field' by introducing legal changes that pushed existing firms out of the market and paved the way for entry of new, politically connected businesses. This way the government 'facilitated graft and patronage on a new scale, using its legislative power to interfere with even minor segments of the economy and benefit its private-sector clients' (Kovács, 2015: 287).

One of the most notable instances of this interference was the 2013 reregulation of the tobacco market. The cabinet introduced a law that guaranteed state monopoly for retail sales of tobacco products (Econews, 2012), withdrew all previously existing retail licenses and handed out a more limited number, mostly to friends of prominent Fidesz members (Kovács, 2015, Nagy and Szabó, 2013). This step drastically disadvantaged major multinational tobacco companies and small family-owned retail shops. In December 2014, the government further restricted the market at the wholesale level, stipulating that the newly licensed retailers will only be permitted to purchase from state-owned wholesale corporations or those that the state contracted (Kovács, 2015: 287). Due to the monopolisation of tobacco products, the number of retail outlets dropped sharply from the previous 42,000 to 5,415 (JM, 2013, Piac és Profit, 2013). The press revealed that the 'tobacco act' was written on the computer of Continental's CEO, a close friend of Fidesz's parliamentary leader, who officially submitted the proposal to the Parliament (HVG, 2013).

A similar change in market structure was initiated in the retail sector. The parliament passed a series of laws that targeted international retail chains operating supermarkets in Hungary, such as Tesco, Auchan, and Spar by introducing a law that required non-family-owned retailers of a certain size to remain closed on Sundays (Kovács, 2015). This law benefitted Hungarian supermarket chains, whose owners were close to Fidesz.

These examples illustrate how the government has been using its legislative power to change the playing field in economic sectors to allow the reallocation of property to its own supporters. The role of legal reform in this process is important. The examples show the uncertainty created by a government that can change the legal framework overnight without public consultation. The use of legal reform constitutes a qualitatively new string to the ruling party's bow. Indeed, while the re-allocation of property was done through informal networks and opaque clientelism in the early years of post-socialism (Sajo, 1998), it is now done through legislation. This open, top-down rent seeking together with the centralisation and politicization of state action constitutes a new phenomenon in Hungary, which distinguishes the Hungarian case also from other types of 'state capitalism'.

Our respondents confirm this strategy of nationalising or driving private companies into bankruptcy to create a temporary state monopoly, before reprivatizing firms into the hands of the elites' political allies.

'[T]hey are killing the economy with indirect tools, like tobacco legislation. They turn the retail trade of tobacco products into a state monopoly; and then they turn the retail of alcohol and lotto sales into a state monopoly as well. So all private tobacco firms, alcohol firms, and toto-lotto firms go bankrupt. This is how they create a market for their own economic empire.'⁹

Kornai (2012: 56) sees in these changes a 'slow, surreptitious expansion of the state sector'. In our interpretation based on the concept of the 'clan state', the subsequent re-privatizations indicate rather that these changes are part of a redistributive strategy in favour of the governing clan. Indeed, we see this mechanism as key in the rise of the 'clan state', as opposed to a partially appropriated state. Again, our interviews confirm this interpretation of blurring the boundaries between the private and the public through a reallocation of economic assets.

'[This strategy] constitutes a total re-allocation of economic power positions. It is not by accident that Orbán said after being re-elected that they will break

down the oligarchs. No, it is about giving the main roles to their own oligarchs.’¹⁰

‘The government puts itself on top of the economy. Simply put: where there is a large investment, political deals rule. Firms have to win the favours of politicians... Behind politics there is always private business.’¹¹

Partly, the re-nationalisation, re-privatisation cycle constitutes a new instrument to achieve an old goal, i.e. creating political loyalties. Indeed, during the first phase of transition state-owned assets could be privatised strategically to favour political allies. As the state-owned sector shrunk, this strategy reaches its natural limit and the re-nationalisation/re-privatisation strategy becomes the only alternative (Magyar, 2013: 414). This mechanism constitutes an extreme form of blurring private and public, which is a hallmark of the ‘clan state’ (Wedel 2003).

Forced buy-outs (FBOs)

A final mechanism through which the Orbán government has wrestled back control over the economy from the business elite was through ‘forced buy-outs’ (FBOs). Our respondents referred to many concrete cases of FBOs. In these instances, party-related individuals approach the owners of private companies and ‘persuade’ them to ‘sell’ their ownership rights, often without actual payment. Interviewees claimed that in case the owners did not want to cooperate and sell part or the whole company, the ‘buyer’ threatened the targeted firms with tax office investigations, lack of public contracts, or other negative consequences. Transparency International found that ‘if the authority makes a mistake, there are required legal procedures in place to resolve the issue. [However,] the fear of exposure is so high that firms would rather choose other means than to file a lawsuit against the authorities’ (Transparency International, 2012: 239).

Contrary to renationalisations through legal means, FBOs do not transfer ownership to the state, but to private individuals close to the governing party. This shows how deeply private interests penetrate the state sphere and how much the state has lost its autonomy, serving now mainly private interests. One respondent related the following anecdote:

‘They buy up a lot of companies... They use mafia tools. They use the power of the state. [...] For example I know of a media company, which made lamppost posters for parties during elections. They were always very careful to have 50-50 per cent of Fidesz and MSZP on their posters. It is a private company. Some people went there and said ‘we would like to have 50 per cent of your company for free’. As the company did not want to

‘sell’, after two months the same people went back and said ‘we want 80 per cent of the company’. Then - when the owners still did not sell - after two weeks they introduced a law that forbids political posters on city lampposts. As a consequence the market value of the firm went down to 10 per cent [of its previous value].’¹²

This anecdote highlights how FBOs are directly linked to political decision-making, or in other words how ‘failure’ to cooperate leads to legal ‘retaliation’ by the state. Such an extensive use of state power to further private interests is unprecedented in post-communist Hungary, and indicates the hierarchical – rather than a reciprocal – relationship between the private sector and the state (Sallai, 2014).

Another respondent further illustrates the wide-spread view among business leaders in Hungary, that the current situation is qualitatively different from previous forms of post-socialist capitalism. The key difference is the blurring of the distinction between the interests of the state and that of a clan:

‘In my view, it is not the state that competes with firms, but rather individuals who compete through the use of the state’s infrastructure. Today there is a more developed system [of politicians controlling the economy] in Hungary; they do not need moneyboxes [i.e. boxes filled with money for bribes] any more. They simply do not give public jobs to anybody, but their own firms. As a result you cannot trace corruption any more. You only observe that there are privileged and not privileged firms. It is hard to get jobs for anybody else in the market.’¹³

Our respondents suggest that privileged groups close to the governing elite benefit from this system:

‘It is economic profit seeking, not political. Certain elites think they have to put their hands on particular sectors, because they are profitable. [...] Behind the state there are personal interests and companies.’¹⁴

‘The situation when the economic and political life is separated from each other and have a corrupt relationship – is over. This is not the case anymore. Today the two are the same. Nobody can enter this system.’¹⁵

These accounts of the fusion of economic and political interests are confirmed by different publications that indicate that individuals close to the Prime Minister enriched themselves, through state-funded infrastructure projects or land acquisitions (e.g. Ferenczi, 2014).

Extensive overlaps between the public and private sector is not a new phenomenon in Hungary. From the outset, post-socialist firms were interlinked with the state through ownership structures (Stark, 1996, Stark and Bruszt, 1998, Stark and Vedres, 2006). Stark and Vedres (2012: 700) found that although the ‘political and economic fields have been institutionally separated, firms and parties have become organizationally entangled’ through corporate boards. They also highlighted that due to the strong political polarisation, the economy is ‘divided into political camps’ (Stark and Vedres 2012 p: 712). In this system, the political affiliations of corporations are closely linked to party-financing and the ‘competition for votes became competition for firms’ (Stark and Vedres 2012: 705). However, since Fidesz acquired a two-thirds parliamentary majority in 2010, the competitive aspect of this type of ‘cronyism’ gave way to a deeper politicization of the economy through the use of the state apparatus. This suggests that a distinct form of capitalism is emerging in Hungary, which is markedly different from other state-led national business systems (Evans 1995, Whitley 2007).

Due to the mechanisms described in this section, despite its institutional weakness in the early years of transition (Martin 2002), the state – or rather the clan controlling it – is now firmly in control of the managerial elite. Political ties have fundamentally changed in nature as a result.

5. The Company Level: Corporate Coping Strategies

We now turn to the firm-level reactions to this transformation of the nature of political ties. In the context of the ‘clan state’ it is difficult for companies to develop coping strategies similar to the ones that Dieleman and Boddewyn (2012) describe. Our interviews suggest that the shift towards autocracy under the Orbán regime had an impact on firms’ strategies and investment decisions. However, contrary to the findings from previous studies on other autocratic regimes, the coping strategies in the Hungarian case appear to be short-term reactions rather than carefully designed long-term strategies.

A first observation emerging from our empirical findings is that manufacturing firms that produce for export feel the impact of the autocratic regime less than the domestically-orientated firms active in sectors where the government introduced sector-specific taxes (e.g. banking, telecommunications, and retail) or started restructuring through new legislation and nationalisations, like in energy, tobacco, advertising, or the media industry. As one could expect, firms in sectors that are less affected adapt less, while those that are hard-hit by the changes adapt more intensively.

Among those firms who are more strongly exposed to the government, two opposing reactions emerge from the interviews. Some firms ‘give in’ to governmental pressures and decide to cooperate with the regime. We call this strategy a responsive reaction, as firms respond to the regime’s pressures by offering favours to the state and making deals with the regime. This strategy is illustrated by the following quote:

‘You make decisions that you would not make in a stable environment. I give work to this person,...money to that person... Just leave me alone!... People get easily threatened or blackmailed. Look at the news; how many times were people taken away in handcuffs? The news never say whether they were innocent or guilty. So CEOs are kept in fear. Anybody could be taken away any time; people are scared of the state today.’¹⁶

Fear and uncertainty lead to servility and cooperation. Many firms in Hungary choose not to ‘argue’ with the state, but rather try and please the government, so that they can get concessions or preferential treatment in return.

‘If you imagine yourself in my situation there were two ways, you either go bankrupt or give your firm to them.....’¹⁷

‘Today, there is a fear from central authority in people’s blood; a fear that they can take away anything, do anything.’¹⁸

Managers from this group increasingly base their decisions on emotions and not on strategic decision-making. They feel threatened by the state and fear retaliatory measures if they are not politically subservient. Where tensions arise between public authorities and a company, managers are often threatened with financial assessments (mostly done by the Tax Authority) or other types of state investigations in order to keep them in line. As one respondent from a large Hungarian company explained, when they had a financial issue about unpaid invoices with a SOE, the dispute was settled by the state authorities’ intervention:

‘I was ordered to go to the Ministry to see the Secretary of State [...]. He was very rude and told me that whatever will happen he will sit in his chair for the next 8 years and therefore he advises me not to go ahead [with the lawsuit against the debtor SOE], because obviously he will make me feel the weight of my decision[...]. There were five people there [...].’¹⁹

The responsive reaction often involves participation in corruption and/or doing business through government-related oligarchs and their firms.

‘Only their companies get jobs. Previously this was not a problem, because firms did not have to enter public tenders. [...] We did not even run for tenders where money had to be paid back [in return for obtaining the contract]. Today it is different. Many companies cannot live on the private market anymore and as the market declines the importance of the public market increases. If you belong to their ‘circles’ – then you get jobs...Otherwise if you have to work for the public sector, then you go bankrupt.’²⁰

Faced with the choice of growth via public sector contracts or bankruptcy, a deal with a government-related intermediary may seem like the only growth strategy for domestic companies.

A second reaction can be called non-responsive strategy, where firms refuse to cooperate with the government. These companies try to avoid cooperation or confrontation by taking the ‘wait and see’ approach. They put all investment decisions on hold, or channel investments to other countries in the region and keep costs at a minimum. Although many multinationals consider pulling out of the Hungarian market altogether, most of the interviewed companies stay as they do not want to lose market shares. The ‘capital flight’ strategy described by some researchers (e.g. Markus 2012) does hence not seem to be widely used by companies in Hungary. Instead, rather than expanding and innovating they operate quietly with minimal investment.

‘There is no longer-term economic strategy. It is always changing, and we cannot plan. We feel that, because of the short-sightedness of politics, the government misses big opportunities, for example investments.’²¹

A respondent at a multinational explained in more detail how the political situation in the Hungarian market affects multinational’s global investment strategies:

‘Hungary is treated as part of the CEE region in retail, in banking, in telecom, or in the insurance sector – which stretches from Bulgaria to Poland. And within the countries of the CEE region there is a strong competition for the financial resources of the owners [shareholders] and I have to say that Hungary starts with a terrible handicap in this competition today. When there is a decision to be made about an investment, for instance when our company decides in which country it should invest [...] and this decision is promoted by the Czech and the Hungarian, there is no question that the management

will decide for the Czech Republic. The owner says that I do not take my money to such an instable country.’¹

According to the interviewee, it was not the special sectoral taxes that affected companies in the most negative way, but rather the lack of predictability and the impact of the uncertain political and economic environment on future investment decisions.

In particular, as an EU member state, it would seem possible that Hungarian companies’ collective political action would turn to the EU to seek some protection from an increasingly autocratic government at home. However, our interviews show that that is not the case.

‘So you asked why companies do not go to Brussels – because they do not believe that Brussels can protect them from anything. There is no company in Hungary, which would say ‘I choose EU directives, which override Hungarian laws’.’²²

Business associations refrain from trying to use the EU level to alter the domestic institutional environment, e.g. through lobbying of the EU authorities, because of corporate leaders’ exposure to the autocratic state.

‘Companies are afraid of the state because the state can punish – in this environment it is hard to go and lobby in Brussels.... But even associations can be afraid, because they can say ‘OK I am trying to influence something in Brussels, a legislation that may try to counterbalance or maybe push back the state that wants to get into all the sectors of the economy. But then I come back the next day and what do I find. I am threatened. My own association’s board or its majority will tell me off because they are under pressure’.’²³

A respondent at a multinational’s subsidiary - who is also a member at a domestic association – explained that through the industrial association they actively engage in a European umbrella organization in Brussels. However they intentionally do not formulate messages at EU level for fear of domestic repercussions:

‘Truthfully, we do not let our voice be heard. Whatever the leader of the Polish association says is good - they have a consolidated situation at home, and he can talk. We say nothing. ...It can cause troubles at home. I believe that it does not matter who says things out loud. It does not have to be me;

¹ Subsidiary15, Interviewed on 09.08.2015.

somebody else can speak up. Then, it cannot be said that [name of the association in which the company is represented] went to Brussels and offended the government. ²⁴

The same applies to domestic firms: talking about seeking protection from the EU, the respondent from a large Hungarian company explained:

‘No, I cannot do it. I want to, but I cannot do it, because it is not wise. ...It does not matter if I can achieve something in Brussels and it is a success - if at home my company gets killed because of it. Revenge will come.’²⁵

Rather than voicing concerns in international arenas like the EU institutions, companies attempt to remain invisible to the government.

Therefore, the strategy of this second group of companies consists in surviving the autocratic regime in a state of ‘dormancy’ to use a biological analogy. Our findings contribute hence in different ways to the literature. As expected, we find indeed that the coping strategies of Hungarian firms differ indeed from the ones identified in other autocratic regimes, such as Suharto’s Indonesia. We attribute this difference mainly to the different nature of the two regimes, one being a long-lasting stable autocracy, the other one a relatively recent ‘clan state’. The difference in the level of uncertainty and the extent and nature of institutional change explains that companies in Hungary cannot use second-order changes in organisational structures as coping strategy. Instead, companies either accommodate the regime’s wishes or use the strategy of dormancy to cope with the political situation. While we expected different types of companies to react in different ways, our interviews show that all types of companies use these two copying strategies. In particular, it is notable that even foreign subsidiaries do not necessarily choose an exit strategy (capital flight) as their first reaction to the increased government intervention. Companies’ willingness to deal with autocratic regimes seems hence higher than one could expect and the number of strategies at their disposal larger than previous studies suggested. Indeed, ‘dormancy’ is a way of coping with an autocratic state that has not yet been described in the literature.

6. Conclusion

This paper investigated the political ties in a transition economy based on the case study of Hungary. We argued that existing studies of coping and buffering strategies that companies can use when faced with autocratic regimes are only to a limited extent applicable to Hungary, because of the particular type of ‘state capitalism’ that is emerging there. Drawing on studies from different fields we

propose a more fine-grained analysis of the nature of post-communist states and suggest that the current phase of transition constitutes more than a mere ‘reversal’ of the transition trajectory. Rather, what we are witnessing is the emergence of a new type of state, which is characterised by the fusion of a governing elite’s political power and economic interests. This comes close to what Wedel (2003) has described as a clan state. Our study thus contributes to the management literature by replying to calls for more research on the political context in particular in situations where state intervention is strong. Our main contribution in this area is the identification of the mechanism used by an autocratic government to shift the power balance back from a managerial type of politicised capitalism (Martin 2002) to a state- or rather clan-dominated type.

We also show that such a more fine-grained analysis of the political context reveals specific features of certain autocratic regimes, which lead to different coping strategies than in ‘classical’ autocratic cases that have been described in the management literature. The ‘clan state’ poses particular challenges to all types of companies analysed; known ‘buffering strategies’ do not seem effective in such a situation. Indeed, the literature considers four types of reactions when firms face predatory state actions: capital flight, bribing, asset concealment, or stakeholder alliances (Salzmann, 2011). While the ‘responsive strategy’ may partially fall into the bribing category, the ‘dormancy’ response that we identify does not have a correspondent in the existing literature and can be seen as a direct result of the particular situation of a clan state.

The Orbán regime’s unpredictable policy choices do not allow firms to engage in long-term coping strategies based on second-order organisational change. Suharto’s long-lasting, and fundamentally ‘developmentalist’ project, on the other hand created an autocratic, but still relatively predictable and stable context for firms where the state could be accommodated in more planned fashion, allowing businesses to further grow. This hints at a theoretical insight emerging from our study, which consists in the fact that it may be the level of uncertainty/predictability, which is key to understanding firm’s coping strategies. Autocracy, as such, may not be an insurmountable problem for firms, as long as it creates a fairly predictable pattern. In cases where autocratic regimes become completely unpredictable, however, the options for firms are limited and may consist in extreme, not forward-looking strategies such as dormancy or submissiveness. This seems to be the case for all types of organisations, including subsidiaries of foreign multinationals that do not seem to flee the country just yet.

The practitioner implications of our study are that even in a very hostile environment like Orbán’s Hungary, it would seem that many companies still seem to prefer to keep a presence in a temporarily unattractive environment,

hoping for long-term pay-offs on their presence. Dormancy may thus be an effective strategy to manage political risk, while maintain presence in a promising market, without compromising the company's integrity.

The limitations of our study have to do with the case-study nature of the research and the possible self-selection bias in the sample. Indeed, given the sensitivity of the topic, we cannot exclude that a certain level of self-selection bias may have been introduced. The variety of companies we interviewed and the variety of answers that we obtained, however, indicated that this is not a major issue. Future studies should attempt to compare our findings to other cases of 'clan states' as well as extending the sample to a larger number of firms. Future research also should investigate whether the coping strategies adopted in a context of high arbitrariness and uncertainty still lead to positive performance outcomes and are hence viable in the long-term.

Notes

¹ Orbán had a first spell in government between 1998 and 2002, without his party having a similarly large majority in parliament however.

² The term ‘clan’ is used to designate an informal group of people spanning the areas of politics, economics, and law that are tied together through formal and informal relationships and perceive themselves as being part of a group. Contrary to anthropology, the use in this context does not necessarily imply that the relationship between members of a clan are kinship relationships (cf. Ledeneva 2013: 33-36). Some of the relationships are family relationships, but many of them are of a different kind, e.g. shared education, shared military career, friendship etc. Due to the heterogeneous nature of ties binding together the members of a clan, such groups are expected to be ‘more opportunistic, less stable, and less predictable’ than informal groups that are based on kinship (Ledeneva 2013: 34). Ledeneva (2013: 34) therefore prefers to use the term ‘power networks’ rather than clan. For simplicity’s sake, we will stick to the term clan in this paper.

³ The ‘Program of National Cooperation’ is a political declaration of the Orbán government that set the future objectives of the Hungarian nation and has to be hung in the walls of all public offices.

⁴ Respondent at Hungarian NGO01, interviewed on 09.11.2011.

⁵ Respondent at Subsidiary17, interviewed on 01.09.2011.

⁶ Respondent at Subsidiary08, interviewed on 16.04.2012

⁷ Respondent at Local15, interviewed on 04.08.2011

⁸ The central holding of the group.

⁹ Respondent at Local17, interviewed on 16.02.2013.

¹⁰ Respondent at Subsidiary16, interviewed on 26.01.2012.

¹¹ Respondent at Local04, interviewed on 16.06.2011.

¹² Respondent at Local 07, interviewed on 30.03.2012.

¹³ Respondent at Local10, interviewed on 15.11.2011.

- ¹⁴ Respondent at Local15, interviewed on 04.08.2011.
- ¹⁵ Respondent at Local17, interviewed on 16.02.2013.
- ¹⁶ Respondent at Local15, interviewed on 04.08.2011.
- ¹⁷ Respondent at Local17, interviewed on 16.02.2013.
- ¹⁸ Respondent at Local15, interviewed on 04.08.2011.
- ¹⁹ Respondent at Local10, interviewed on 15.11.2011.
- ²⁰ Respondent at Local17, interviewed on 16.02.2013.
- ²¹ Respondent at Subsidiary11, interviewed on 06.09.2011.
- ²² Respondent at Local15, interviewed on 04.08.2011.
- ²³ Respondent at NGO06, interviewed on 28.09. 2011.
- ²⁴ Respondent at Subsidiary08, interviewed on 16.04.2012.
- ²⁵ Respondent at Local15, interviewed on 04.08.2011.

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