

A Text Analytic Approach to Study Host Country Nationalist Sentiments and MNE Responses during National Conflicts

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BIG Question:

“How can MNE subsidiaries use rhetorical strategies to mitigate the influence of host country nationalist sentiment during national conflicts?”

Introduction

In recent years, nationalist sentiment has recaptured public attention, especially after some significant terroristic events such as 9/11 attacks and Paris attacks. Nationalist sentiment is very common worldwide, and can have large fluctuations over time. After national conflicts, nationalist sentiment in one country may be triggered, and MNE subsidiaries from counterpart country will suffer consequently. What instant strategies MNEs can adopt to mitigate the negative influence of host country nationalist sentiment is of great importance for both researchers and practitioners.

Nationalist sentiment is the magnification of nationalism (Gellner & Breuilly, 2008), which is a widely studied concept in political psychology and sociology. Recently, researchers have increasingly realized that nationalism should be understood as a sentiment or affect rather than a political or individual ideology, and should be studied in more observable and concrete ways as sentiments, discourses, or even behaviors (Conversi, 2012). These sentiments or sentiment-laden behaviors can be conspicuous and detrimental to MNEs after a national conflict. Most prior international business studies focused on how national conflicts could influence country level foreign direct investment, and further efforts are needed to better understand how

MNE subsidiaries can actively react to mitigate the negative influence of nationalist sentiment triggered by national conflicts.

Summary of the Dissertation

In this dissertation, I first adopt analytic induction, which is an explorative research method and extends theory through insights from analyzing data (Crilly, Zollo & Hansen, 2012), to conduct explorative study on nationalist sentiment. I chose China as my research context, and focused on the national conflicts between China and other countries from 2011 to 2014. The national conflicts were identified from spokesman's speeches obtained from the website of Department of Foreign Affairs. I used Weibo, which is one of the most popular social media websites, as my textual data source and crawled comments posted by Chinese nationals after conflict events. Taking advantage of advanced textual analysis, which is based on natural language processing and machine learning, I analyzed 557,372 textual comments to have a deeper understanding about nationalist sentiment. The procedures included pre-treatment, text mining, content categorization and sentiment analysis. Based on detail information obtained during the procedures of advanced textual analysis, I develop two types of nationalist sentiment, namely expressive nationalist sentiment and instrumental nationalist sentiment. Expressive nationalist sentiment during national conflicts is defined as nationals' beliefs that counterpart country should take full responsibility for the conflict, dissatisfaction with counterpart country, and expressions of negative sentiment toward counterpart country to support and defense for their own country. Instrumental nationalist sentiment during national conflict is outcome driv-

en and is defined as nationals' desire to aggressively take all possible actions or mobilize other to take actions to punish counterpart country (Shamir, Arthur & House, 1994).

After conducting explorative study on nationalist sentiment, I then focus on how MNEs subsidiaries rhetorically respond to different types of nationalist sentiment, as well as the effectiveness of rhetorical strategies. According to on rhetorical theory, there are three rhetorical components: pathos logos, and ethos. While pathos refers to the emotional aspects of rhetoric and captures the affective features of rhetoric, logos emphasizes the integrity and rationality of rhetoric and the providence of evidences, claims and justifications, and ethos focuses on rhetor's characteristics such as credibility and trustworthiness (Braet, 1992). I study two rhetorical strategies, rhetorical focus and rhetorical tone. Since MNEs subsidiaries need to set the agenda of what to communicate with host country public and provide evidences, claims and illustrations to support their arguments (Wang, Wezel & Forgues, 2015), rhetorical focus is related to logos and is about what to say. Rhetorical tone is the affective feature of rhetoric, it is related to pathos and is about how to say it. I also study the moderating effect of MNE subsidiary home country identification, which is related to ethos and is about who says it (Hallenbeck, 2014).

To empirically study the relationship between nationalist sentiment and rhetorical strategies, I crawled the posts published by 127 Weibo accounts operated by Fortune Global 500 companies from America and Japan. The total number of posts published within one week after each conflict event by these Weibo accounts is 28,146. The dataset also contains firm account level information, including number of followers, account descriptions and account labels, as well as all post level information, including post content, post time, and number of likes/comments/forwards for each post. The post information and nationalist sentiment information were merged to examine the relationship between nationalist sentiment and rhetorical strategies. I measured everyday nationalist sentiment, and examined the posts published one day after dates with high nationalist sentiment. The final sample contains 17,000 post level observations.

The empirical part in my dissertation shows that MNEs respond distinctively to different types of host country nationalist sentiment. When expressive nationalist sentiment is high, although MNE subsidiaries may not perceive strong threats from the sentiment, their host country national identity becomes negative and may have negative influence on their legitimacy. So they may actively adopt strategies to prevent the negative influence. One strategy MNEs adopt will be focusing more on their pro-social conducts, such as what environmental initiatives they conducted and how much they spent on philanthropy and donation during natural disaster in host county. Besides, changing rhetorical tone is another strategy MNEs can use to proactively gain legitimacy. Previous literature has

demonstrated that positive words are more likely to suppress negative emotions and increase positive emotions, as well as promote supportive behaviors. The regression results demonstrate that MNE subsidiaries are more likely to have rhetorical focus on pro-social conducts and use positive influence tone.

However, when instrumental nationalist sentiment is high, host country nationals seek all possible ways to punish counterpart country, and MNE subsidiaries are likely to become the target of attack since they are most accessible to host country public. Boycotts and property damages are examples of attacks. Hence, MNE subsidiaries will keep low profiles to prevent being attacked. Rhetorical focus on pro-social conducts will only make a MNE subsidiary salient to host country public. In addition, past literature shows that positive words are more likely to lead to brain activation and emotional arousal compared with neutral words. To keep a low profile, MNEs will be less likely to use positive words and more likely to use neutral words. The regression results in my dissertation provide evidences that when instrumental nationalist sentiment is high, MNE subsidiaries are less likely to have rhetorical focus on pro-social conducts and less likely use positive rhetorical tone.

The empirical results also find that when MNE home country identification is low, the positive influences of expressive nationalist sentiment on rhetorical focus and rhetorical tone will be stronger. Furthermore, this dissertation finds that when host country expressive nationalist sentiment is high, rhetorical focus on pro-social conducts has positive influence on MNE home country stock return, but when host country instrumental nationalist sentiment is high, rhetorical focus on pro-social conducts have negative influences on MNE home country stock return.

Theoretical and Practical Contributions

This dissertation integrates literature from multiple disciplines to study nationalist sentiment and MNE rhetorical responses, and has some important contributions and implications. First, it is one of the pioneering studies that use advanced textual analysis to study nationalist sentiment. Researchers in social psychology, marketing and political science mainly used survey questions to measure nationalist sentiment (Kemmelmeier & Winter, 2008). However, surveys are close-ended and limited to existing questions, so it can only capture a subset of nationalist sentiment, and is not suitable for observing the naturally occurring sentiment patterns. Some scholars used national conflicts as the proxy variable to measure national sentiment (e.g., Arikan & Shenkar, 2013), but it is too simple and is quite inaccurate in many situations. Bonikowski (2016: 442) argued that "A potentially promising alternative is to take advantage of unprecedented volumes of digitized text routinely produced through online

interaction and routine institutional practice...(that) allow for inductive analyses using fully or partially automated methods.” By conducting inductive analysis of social media textual data using advanced textual analysis, I extract detailed information about the actual and real time public sentiment. Such real time sentiment can reflect nationals’ detailed cognitive reactions and judgments, and help to have better understandings about the unobservable nationalist ideology, which is essential for studying the manifestations of nationalism.

Second, most prior literature only studied how MNE subsidiaries passively adapt to host country environment, in order to maintain legitimacy and mitigate liability of foreignness. The agency role of subsidiaries in actively take actions to acquire legitimacy is largely ignored (Kostova, Roth & Dacin, 2008). This dissertation demonstrates that MNE will proactively take actions to gain legitimacy in host country and provides a new lens to study firm international strategy. More intriguingly, it focuses on MNE instant strategies that can be implemented and take effect very quickly. While traditional MNE strategies such as entry mode choice, partner choice, and cross border merger and acquisition need a long time to be implemented and take effect, MNE instant strategies are more flexible and effective in dealing with unexpected crisis. This dissertation emphasizes MNE subsidiary’ agency role in actively adopt rhetorical strategies during daily interactions and communications with stakeholders, rather than passive adapters that accept certain practices to maintain legitimacy by conforming to host country institutional constrains. Therefore, it echoes to the calling for research on MNE active strategies (Cantwell, Dunning & Lundan, 2010).

In addition, many firms have begun to monitor social media sentiments and make strategies accordingly, and some scholars studied how firms maintain reputation by communicating with stakeholders and taking substantial actions to mitigate the negative influence of social media sentiments (Jiang, Chen, Nunamaker & Zimbra, 2014). But few researchers observed the detailed patterns of social media sentiment and paid attention to how nationalist sentiment triggered by national conflicts can influence MNE subsidiaries strategies. In this dissertation, I crawl a large textual dataset from social media, in order to capture sentiment expression and mobilization as well as firm rhetorical responses in social media websites. It focuses on how MNE subsidiaries proactively adopt rhetorical strategies to mitigate the negative influence of nationalist sentiment, and can help to fill in the gap of MNE responses to social media nationalist sentiments.

Furthermore, in recent decades, management scholars also have begun to explore the regulating roles of social movements and interest groups on firm strategies. For instance, Sine and Lee (2009) focused on how large-scale social movements external to an industry could influence the creation of new market opportunities and hence encourage entrepreneurship. In this

dissertation, nationalists in social media websites can be viewed as an online interest group, and their sentiments can induce, shape or influence firm strategies and practices. Instrumental nationalist sentiment is a special type of social movements. When instrumental nationalist sentiment is high, nationals mobilize others to take actions to punish counterpart country, and such social mobilization is an important component of social movement. This study also demonstrates that different types of nationalist sentiment can have different influences on MNE subsidiaries from counterpart country. Therefore, it provides additional perspectives and evidences for the research on the impact of social movement and interest groups.

The findings in this dissertation also have some practical implementations. First, this dissertation shows that social media sentiment matters, and firms need to monitor social media sentiment and respond when social media sentiment changes. For MNE subsidiaries, they should pay additional attention to host country public nationalist sentiment, since such sentiments may have detrimental effect on subsidiary performance. The finding that nationalist sentiment has different types implies that when monitoring host country public nationalist sentiment, MNEs should also pay attention to which type of nationalist sentiment dominants and make different strategies correspondingly. MNEs can identify the type of nationalist sentiment based on the words and phrases used by host country nationals. My empirically results also show that expressive nationalist sentiment and instrumental nationalist sentiment have distinct influences on MNE rhetorical effectiveness. When expressive nationalist sentiment is high, MNE rhetorical focus on pro-social conducts is positively related to stock return, but when instrumental nationalist sentiment is high, MNE rhetorical focus on pro-social conducts is negatively related to stock return. Therefore, MNEs should emphasize more about their social and economic contributions to host country when expressive sentiment is high. However, when instrumental nationalist sentiment is high, it would be wiser for MNEs to focus on topics unrelated to themselves to keep low profiles. Moreover, MNE decision makers should also take firm specific characteristics such as home country identification into consideration and make more comprehensive judgments.

Endnote

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