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Coaxing corporations: Enriching the conceptualization of governments as strategic actors

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Abstract

Research Summary: Little is known about how governments secure discrete resources from global corporations over which they have limited direct control. Utilizing declassified archival sources, we examine how the UK government influenced Moody's and Standard & Poor's to provide the highest possible credit ratings in 1978, despite the UK receiving an International Monetary Fund bailout 2 years earlier. We develop a process model to explain how democratic government officials employ distinctive processes to enable and facilitate a nonmarket approach of corporate coaxing to influence corporations' decision making. We thereby enrich the concept of governments as a strategic actors by illuminating how officials act to secure resources when in a position of dependence.

Managerial Summary: We sought to understand how governments attempt to influence corporations' decision making when they have limited direct control over these corporations. We examined the historical case of the UK government seeking to influence Moody's and Standard and Poor's. In this case, we identified the distinctive strategy of corporate coaxing to explain how government officials navigate the distinctive constraints, and leverage the unique strengths, of their democratic state, to exert influence on private and global corporations. Our findings show how governments can be more active stakeholders in corporate activity than commonly assumed, as their subtle influence can extend beyond state policies or regulations.

KEYWORDS

archival and historical research, corporate and government relations, qualitative methodologies, resource dependence theory, strategic influence

1 | INTRODUCTION

Diverse theoretical perspectives within strategic management scholarship tend to conceive of governments as possessing a significant degree of control over multinational corporations. As Abdurakhmonov, Ridge and Hill (2021, p. 330) explain, "firms are dependent on the government both for setting and enforcing the rules under which they operate" and as such "considerable research focuses on the means by which firms attempt to secure resources from this source." Given this position of strength, extant scholarship has emphasized how governments can control multinational corporations through sovereign authority (government fiat) (Boddewyn & Brewer, 1994) or bargaining (Hillman, 2005). Little is known, however, about how governments shape corporate behavior when they have limited direct control over and cannot bargain with private and often global corporations (Mikler, 2018).

Existing scholarship suggests that outside of bargaining in a market system, actors—albeit usually considered in terms of firms rather than governments—can pursue two broad nonmarket strategies to manage their environment: bridging or buffering (Mellahi et al., 2016). Bridging refers to adapting activities to meet external expectations (Meznar & Nigh, 1995) though diverse interest groups and electoral constraints (Henisz & Zelner, 2005) make it difficult for governments to adapt to the expectations of corporations. Buffering describes corporations protecting themselves from and potentially influencing government regulation, typically through the gradual development of political ties (Mellahi et al., 2016). Buffering thus appears largely inapplicable to instances of governments attempting to secure discrete corporate resources in a relatively brief period without corporate ties.

Nonetheless, buffering does suggest that one potential approach for actors to secure corporate resources is through forms of influence. This is the case for corporations, which exert influence on government through political activity (Hillman & Hitt, 1999; Lux et al., 2011; Oliver & Holzinger, 2008). Recent scholarship has highlighted the importance of soft forms of corporate political activity for low-power firms (Ozcan & Gurses, 2018; Shu & Lewin, 2017). However, it is difficult to predict how soft forms of governmental influence would unfold, if at all, as existing theorizations of corporate political action appear inapplicable to governments. Studies of corporate political action suggest that firms can relatively autonomously decide to try to exert influence (Hillman et al., 2004). Yet, government officials face distinctive constraints (e.g., checks and balances) that restrain action (Aharoni et al., 1981; Hillman et al., 2009). Governments also lack formalized processes like lobbying for sustained influence on corporations. Existing scholarship has thus overlooked the processes that governments use to exert influence on a corporation when not through fiat, bargaining, bridging, or buffering.

The limited knowledge concerning the forms of influence through which government officials influence global corporations encourages inductive theory building (Eisenhardt, 1989; Locke, 2007). As governmental attempts to persuade corporations are often cloaked in secrecy, under the auspices of national interest, we make use of declassified archival records to examine the secretive negotiations between the UK government and two New York-based credit rating organizations—Moody's and Standard and Poor's in the 1970s. This is an apt case to explore the process of governments influencing corporations in the face of resource dependencies; the government secured two "triple-A" ratings from ratings firms in 1978, despite their reliance on an International Monetary Fund (IMF) bailout only 2 years earlier. We thereby respond to calls for scholars to draw on historical cases to enrich their research and build theory in strategic management (Argyres et al., 2019; Burgelman, 2011).

Our findings document how the UK government's dependence on credit rating corporations prompted officials to use specific intermediating, enabling, and facilitating processes to influence corporations. We integrate these processes to develop a model of *governmental corporate coaxing*, which explains how governments operating within strong checks and balances can help to persuade corporations to provide a specific resource.

Our model contributes to existing theory by explaining how a government attempting to influence a corporation from a position of limited power can employ a corporate coaxing approach. We show how corporate coaxing is distinct from the established approaches of government fiat and bargaining (Boddewyn & Brewer, 1994) as well as bridging and buffering strategies (Blumentritt, 2003; Meznar & Johnson, 2005; Meznar & Nigh, 1995). We thereby advance the conceptualization of government as a strategic actor by showing how governments can be more active stakeholders in corporate activity than commonly assumed, as their influence can extend beyond state policies or regulations. Further, we show how corporate coaxing can shape external assessments that are often treated as impartial predictors by corporations and thus how governments may influence a corporation's decision making indirectly. Our findings clarify how governmental corporate coaxing differs markedly from corporate political action. We thus present corporate coaxing as a unique form of soft influence that can be employed by governments to manage corporate resource dependence.

2 | THEORETICAL BACKGROUND

Strategic management scholarship has examined how multinational corporations and governments interact by drawing on diverse theoretical perspectives, including the dynamic capabilities approach, resource-based view (RBV), resource dependence theory (RDT), and stakeholder theory (Mellahi et al., 2016; Oliver & Holzinger, 2008; Pfeffer & Salancik, 1978). These different perspectives predict often overlapping and similar strategies for how actors can manage their environment, though they typically consider the firm and investigate how firms manage their dependence on government (e.g., Abdurakhmonov et al., 2021). We argue these literatures' focus on firms' attempts to manage government control has led to a narrow conceptualization of governments as invariably wielding a considerable degree of power over corporations. Little is known about how governments secure corporate resources when they possess limited power over a corporation. In such situations, existing theorizations of how actors manage dependencies appear largely inapplicable to governments.

When governments are in a position of strength, a variety of perspectives conceive of government control of corporations as operating through fiat or bargaining.

2.1 | Government fiat

Utilizing a variety of theories, including RBV and RDT, Boddewyn and Brewer (1994, p. 126) explain "the state upholds a special claim to the exclusive regulation of the legitimate use of physical force in enforcing its rules within a given territorial area," such that it can use "acts of authority (government fiat)." Government fiat is noted in other RBV studies as it reflects government control over resources required by corporations, such as the US government assigning flight routes to providers in the early airline industry (Makadok & Ross, 2018).

2.2 | Bargaining

As Hillman (2005, p. 468) explains from an RDT perspective, "government is also dependent on businesses" with governments and corporations existing in an "exchange marketplace," where officials can, for example, supply public policy in return for corporate resources. A bargaining strategy is well-documented across theoretical perspectives, such as in studies drawing on stakeholder theory where firms can bargain with governments by locating in a particular area in return for infrastructure investment or low tax rates (Jones, 1995) or access to natural resources (Crilly, 2011).

Much less examined in the literature are governments with limited direct control over the global and private corporations on which they depend (Mikler, 2018). For instance, when corporations do not seek to enter a state. Further, governments cannot pursue a strategy of avoiding or circumventing (Boddewyn & Brewer, 1994) a corporation if they require its resources. Various theoretical perspectives do, however, suggest that actors can employ two nonmarket strategies to manage external actors: *bridging* or *buffering* (Meznar & Nigh, 1995). Though rarely applied to governments, the bridging or buffering classification is "widely used in the nonmarket literature" (Mellahi et al., 2016, p. 150) and is general enough to be applicable to many different country environments (Blumentritt, 2003).

2.3 | Bridging

Bridging refers to actors adapting their activities to meet external expectations (Meznar & Nigh, 1995). This strategy has been examined across a range of theories, particularly RBV and RDT (summarized by Mellahi et al., 2016) and is akin to non-bargaining notions of compliance (Boddewyn & Brewer, 1994). Dynamic capabilities scholars have detailed how compliance can be reactive, such as changing organizational structures to meet new standards, or anticipatory, such as anticipating then adjusting to new policies (Oliver & Holzinger, 2008). Bridging may be relevant to governments in certain contexts. For instance, governments may seek to comply with supranational organizations such as the IMF during crises. However, adapting to meet the needs of a corporation on the basis of securing a specific resource is likely to be difficult for democratic governments given diverse interest groups and electoral constraints (Henisz & Zelner, 2005), which could constrain even symbolic adaptation.

2.4 | Buffering

Buffering describes how an actor seeks to insulate itself "from external interference or to actively influence its environment through such means as contributions to political action committees, lobbying, and advocacy advertising" (Meznar & Nigh, 1995, p. 976). The emphasis on influence parallels Oliver and Holzinger's (2008) notion that influencing can be an overriding strategic orientation for actors, which includes proactive or defensive influencing strategies, such as firms lobbying to alter policies. This overlaps with RDT scholarship, which shows buffering can occur through a variety of cooptation tactics or corporate political action (Hillman et al., 2009; Pfeffer & Salancik, 1978). Both RDT and RBV perspectives show buffering as a longer-term form of defense, often used by corporations to protect themselves from political stakeholders' regulations through the development of political ties (Blumentritt, 2003; Mellahi et al., 2016; Zheng et al., 2015). Similarly, stakeholder perspectives highlight the importance of building ties and political embeddedness for actors seeking to acquire resources (Zheng et al., 2019). Buffering appears less appropriate to governments that seek to secure resources in a single occurrence as opposed to over a sustained period through the development of ties.

Buffering does, however, highlight the importance of influencing. Corporations exert influence by explicitly lobbying government agencies or using soft forms of influence such as informal or less public attempts of persuasion. Scholarship has highlighted the importance of soft forms of corporate political action for low-power organizations (Ozcan & Gurses, 2018; Shu & Lewin, 2017). However, it is difficult to predict how soft forms of governmental influence could unfold, if at all, as existing theorizations of corporate political action appear inapplicable to governments for two reasons.

First, existing accounts suggest that firms can relatively autonomously "decide" to try to shape government policy (e.g., Hillman et al., 2004). Although the RDT literature, for example, stresses the distinctive heterogeneous constraints on governments (Abdurakhmonov et al., 2021; Aharoni et al., 1981; Hillman et al., 2009), it has not considered how officials could manage such constraints on their authority to exert influence on corporations. Unlike corporations, interest groups affect democratic governments as their power shifts, most notably through electoral cycles (Henisz & Zelner, 2006). Institutional structures of the state "condition the extent to which politicians have the capacity and/or the incentive to act on their short-run electoral goals" (Broz & Frieden, 2001, p. 334). Such "checks and balances," impede action through separation of powers and partisan heterogeneity within and across branches of government (Henisz & Zelner, 2005).

Second, it is unclear how government officials would make their processes of influence persuasive. There are limited formal mechanisms for lobbying corporations. Resource dependence theorists' assumption that corporations employ "political mechanisms" (Pfeffer & Salancik, 1978, p. 189) or dynamic capabilities scholars' notion of "political capabilities" (Oliver & Holzinger, 2008, p. 506) to manage their dependencies appear unsuitable to government as all governmental action could be understood as political.

Drawing together different theoretical perspectives that predict often overlapping strategies for how actors can manage their environment, we argue that existing strategies of fiat, bargaining, bridging, and buffering only capture a portion of the dynamic process of corporate–government relations. Little empirical and theoretical attention has been placed on the processes through which governments, as opposed to firms, attempt to influence actors on which they are dependent. As Blumentritt and Rehbein (2008, p. 260) point out, "we know quite little about the processes and activities that are used by host government representatives in actual negotiations with foreign firms." Our research question therefore asks: How does a democratic government influence the decision making of corporations on which they have limited direct control but are dependent?

3 | METHODS

Given the limited theorizations of governments' attempts to influence corporations over which they have limited direct control, we adopt an inductive research design to build theory from a case as opposed to testing theories (Eisenhardt, 1989; Locke, 2007). We employed an historical case study approach (Burgelman, 2011; Furnari et al., 2021).

We theorize from the case of the UK government officials who helped to convince two leading credit rating corporations—namely, Standard and Poor's and Moody's—that the UK was a "triple-A" borrower in 1978. The government paid fees to each corporation in exchange for a rating. This novel case is apposite to our research question as the UK government had recently received a financial bailout from the IMF and was increasingly dependent on the ratings agencies to provide a good rating to help reduce borrowing costs in foreign markets.

3.1 | Data collection

The secretive nature of governmental influence on corporations outside of public policy makes direct observation difficult. We therefore utilized declassified archival sources of the UK government's preparation for and confidential discussions with two rating agencies. We also interviewed figures from the UK government and a credit rating agency.

3.1.1 | Archival materials

The Treasury archival materials (abbreviated to T) are available due to the United Kingdom's "30-year rule," which mandates the release of government documents three decades after they were created. We also utilized Bank of England (BE) archives and the New Zealand (NZ) national Archives. The specific archival files which are referenced in our findings are listed in Table A2 (Appendix, Supporting information).

3.1.2 | Historical sources

We utilized a corpus of relevant historical accounts of the UK government and policies (e.g., Gill, 2015; Hickson, 2005; Schenk, 2010), including the memoirs of various government officials (e.g., Callaghan, 1987; Healey, 1989).

3.1.3 | Interviews

We engaged with two historians of the period to build a clearer picture of the context and to guide our archival research. In addition, we met with and presented our early findings to Her

Majesty's (HM) Treasury department in 2014, receiving comments and feedback. In 2014, we interviewed a former executive of sovereign ratings from one of the credit rating firms, with experience of over 80 credit ratings. One of the authors was seconded to HM Treasury in 2017 and conducted further informal interviews with officials with experience of the rating process. In 2020, we interviewed a former UK senior civil servant who helped to contextualize working in government. These interviews helped triangulate our analysis and sense-check our theorizing (Lincoln & Guba, 1985).

3.2 | Data analysis

We employed grounded theory to analyze and inductively generate concepts from our data. Specifically, using the constant comparison technique, we simultaneously collected and analyzed data (Strauss & Corbin, 1990), examining the processes through which the government influenced credit ratings agencies. We followed the grounded theory tenet of theoretical sampling to identify patterns in the data, which guided subsequent data collection. We continued this process to theoretical saturation, where no new patterns emerged. Our analysis consisted of three main phases.

3.2.1 | Phase 1: Historical context

Given the evidence that an actor's nonmarket strategy will be informed by their institutional environment (Dorobantu et al., 2017; Kern & Gospel, 2020), we began by engaging with historical accounts to appreciate the institutional context of both the UK and credit rating firms in the late 1970s. We were struck by the economic difficulties that faced the UK government including a series of IMF bailouts alongside problematic employment rates and inflation (Hickson, 2005). Conversely, the credit rating firms Moody's and Standard and Poor's had grown powerful and dominated credit ratings, particularly for bonds (Morton, 1975). This highlighted the puzzle of how the UK government secured a “triple A” rating from each firm, providing an empirical case to explore the dynamics of government influence to manage corporate resource dependencies.

3.2.2 | Phase 2: Identification of governmental corporate coaxing

We next focused on archival files. Through open coding, we identified first-order concepts in the data that illuminated the relationship between the UK government and credit ratings agencies. We focused on the declassified records of the discussions between governments, investment banks, and credit rating agencies. We discussed these findings with our interviewees to establish a series of processes and tactics employed by different parts of the government.

3.2.3 | Phase 3: Development of theoretical concepts and process model

We cycled iteratively between our data, first order codes, and the literature to aggregate our codes into second-order concepts. Ultimately, we established 7 second order concepts that we abstracted into three aggregate dimensions each of which collectively represented a process of governmental corporate coaxing: intermediating, enabling, and facilitating processes (as depicted in the data structure in Figure 1). These three aggregate theoretical dimensions were the building blocks of our process model.

3.3 | Developing trustworthy interpretations

As recommended to conduct rigorous historical analyses, we adhere to the criteria of trustworthiness when making interpretations: credibility, confirmability, and dependability (Gill et al., 2018; Kern & Gospel, 2020). Credibility describes engaging with the relevant historiography to ensure that findings are adequately contextualized. Confirmability refers to ensuring that interpretations are grounded in evidence, allowing others to audit the process of interpretation. We have made our analytical process transparent, providing evidence for each of our first and second order concepts (see Table 1) and explicating their interrelationships (see Figure 1 and our Findings in section 4). Collectively, these steps allow others to assess our process model (Figure 2).

Dependability describes researchers explaining and justifying why their approach is reliable to yield accurate interpretations. We triangulated sources by drawing on archival data, interviews, and existing historical scholarship. Our coding benefited from interpretive inter-coder reliability, whereby each author conducted initial open coding of archival or historical documents, independently. Following Gill (2023) our study also utilized another coder—who was not in the author team to provide critical distance—to probe our codes. We communicated our coding with peers, using their feedback to refine our codes, checking that we identified similar themes from the data. Coding was finalized when all authors reached agreement that categories were grounded in evidence and collectively explained the process of government influence, which we conceptualized as corporate coaxing.

4 | THE UK GOVERNMENT'S FIRST CREDIT RATING, 1976–1978: A CASE OF GOVERNMENTAL CORPORATE COAXING

Our process model in Figure 2 explains how democratic governments with strong institutional foundations can coax a clearly delineated resource from corporations. The model is comprised of the three aggregate theoretical dimensions that we developed through our grounded theory building. (1) The intermediating processes whereby governments are *engaging with power brokers*, with these brokers *guiding their interactions* with resource providers. (2) The enabling processes through which governments manage their institutional conditions to initiate attempts to influence corporations: *coordinating conventions*, *conveying control*, and *compartmentalizing communication*. (3) The facilitating processes of *traversing transparency* and *interlacing institutions* through which governments can enhance their influence over corporations.

Our model highlights that governmental corporate coaxing is a precarious process. This precarity stems from the checks and balances inherent in the institutions of democratic governments, which constrain officials' attempts to influence corporations. These same checks and balances signal the strength of the institutional environment, which the officials in our case believed augmented their influence. We now introduce the context of our case, the three dimensions of our model, and then consider alternative explanations.

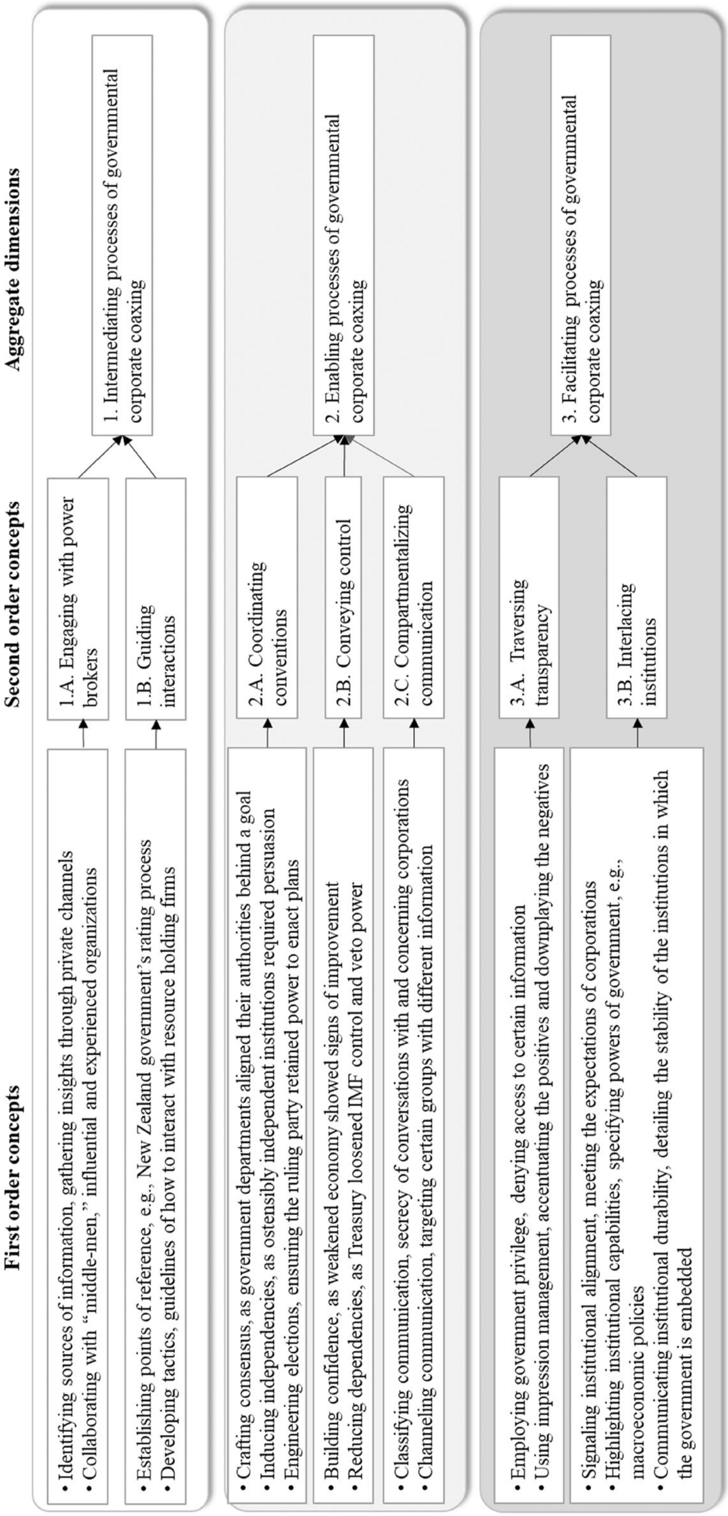

FIGURE 1 Data structure resulting from analytical coding process.

TABLE 1 Additional evidence by theoretical category.

Theoretical category	Examples from the data
1. Intermediating processes of governmental corporate coaxing	
1.A. Engaging with power brokers	• *Identifying sources of information*, gathering insights through private channels: Commercial bankers from Morgan Stanley (MS) informed Treasury officials' decisions of when to approach credit rating corporations. MS believed that the UKs reputation had improved materially by 1976. However, "this improvement had not yet reached a point where the UK could take its place with what the market regards as top class names, such as Norway, Austria, and EEC [European Economic Community]." (T 381/49). However, in October 1977, the chancellor received advice from Alfred Hayes, chairman of MS, and Herr Guth of Deutsche Bank, both advised UK was in a stronger position (T 381/50). • *Collaborating with "middle-men,"* influential and experienced organizations: In 1976, MS wrote "We suggest that when the UK government deems it appropriate to commence discussions with the rating agencies we initiate a dialog on its behalf. During this initial approach to the agencies we would endeavor to assess their present attitude regarding the credit of the UK" (T 381/49).
1.B. Guiding interactions	• *Establishing points of reference*, for example, New Zealand government's rating process: MS informed the Treasury's view that the UK was at least comparable to Australia, Canada, France, and Sweden, and other nations countries "that have successfully borrowed from New York during recent years" (T 370/471). • *Developing tactics*, guidelines of how to interact with resource holding firms: UK believes that US investment bank "essential" to guiding them through the process. Bank of England (BE) recommends MS due to experience and reputation (T 381). Advice from MS to Her Majesty's Treasury (HMT): "Because the rating process is not based solely on statistical measures, but includes a substantial element of subjective judgment as well, such a presentation should emphasize not only economic factors, but demographic, educational, political, social, and other elements bearing on the creditworthiness of the nation and the character of its people" (T 381/49). In discussions with MS, MS said it would be useful for the chancellor to meet people from the rating agencies when they came to London, as a form of flattery (T 381/51).
2. Enabling processes of governmental corporate coaxing	
2.A. Coordinating conventions	• *Crafting consensus*, as government departments aligned their authorities behind a goal: "Provided that Mr. Lever and the prime minister agree, the chancellor is prepared to consider giving immediate authority for a confidential approach to be made to [Moody's and Standard and Poor's]." (This note has a long list of people "cc," T 381/50). • *Inducing independencies*, as ostensibly independent institutions required persuasion: Note that the BE and HM Treasury decided against seeking a credit rating in 1976 as too risky but consensus emerges in 1977: "The Treasury agrees with the bank's conclusions. The bank recommends a new borrowing operation" "[we] agree with the bank that a "task force" consisting of representatives from the bank and the Treasury should be established in December to start work with Morgan Stanley, whom the

TABLE 1 (Continued)

Theoretical category	Examples from the data
	bank recommend should be invited to lead the first issue, on the preparation of a presentation to the rating agencies" (T 381/50). • *Engineering elections*, ensuring the ruling party retained power to enact plans: prime minister Callaghan controlled the timing of the next election, delaying it until 1979 as detailed by his biographer (Morgan, 1997) in large part because he believed that "the economic situation had hitherto been steadily improving" (Dorey, 2016, p. 100) informed by Treasurer Healey's belief that further economic growth was to come (Dell, 1996). Archival evidence suggests Treasury officials were thinking about elections in preparations for ratings in discussions. MS informed them that: "The agencies would not be worried by the possibility of an election since the principle had been established with them in the case of Australia that their main interest was with the underlying economic situation and not the politics of any applicant country" (T 381/50).
2.B. Conveying control	• *Building confidence*, as weakened economy showed signs of improvement: Treasury officials noted in 1978 "The continuing benefits of North Sea oil from now until toward the end of the century will bolster the balance of payments; and we have reserves at record lows which should make it possible for us to finance any outflow of funds which might occur without the disruptions to internal policy which have so frequently happened in the past" (T 370/471). • *Reducing dependencies*, as Treasury loosened IMF control and veto power: Treasury officials noted that "Some voluntary repayment of IMF debt is derisible… it would have a beneficial effect on our creditworthiness" and "because it would stifle criticism that we were holding on to fund money to repay market debt" as part of debt management (T381/50; BE 7A174/2 A).
2.C. Compartmentalizing communication	• *Classifying communication*, secrecy of conversations within the state: In 1978, Treasury officials "asked the New York investment bankers Morgan Stanley to approach two New York ratings agencies on our behalf to discover whether we would be likely to get a triple A rating […] The approach is being made in strictest confidence without commitment by HMG [Her Majesty's Government] at this stage" (T 370/471). • *Channeling communication*, targeting certain groups with different information within the state: "the government has asked the New York investment bankers Morgan Stanley to approach two New York ratings agencies on our behalf to discover whether we would be likely to get a triple A rating on a bond issue in the New York market this year. A long submission was prepared for use by Morgan Stanley in this approach. The work was chiefly done by Mr. Heigham […] and the Bank of England; but some, at least, of your divisions were consulted" (T 370/471).
3. Facilitating processes of governmental corporate coaxing	
3.A. Traversing transparency	• *Employing government privilege*, denying access to certain information "we have no authority to release to the US rating agencies any of the recent Fund documents" (T 381/52). • *Using impression management*, accentuating the positives, and downplaying the negatives: "The S + P team will itself be in the position of having to justify its conclusions to a rating committee and to the US

TABLE 1 (Continued)

Theoretical category	Examples from the data
	marketplace. Therefore, interpretations and observations which tend to refute certain negative impressions created by US press coverage of the UK in recent years will be particularly helpful [...] S + P has read a great deal on the subject at hand" (T 370/471; Gill, 2015, p. 1031). This tactic continued to be used: "We owe it to Standard and Poors to treat with them [sic] with a certain amount of ceremony when they come" (T 450/728).
3.B. Interlacing institutions	• *Signaling institutional alignment*: In March 1978, "At a meeting on Sunday afternoon, Morgan Stanley advised us [Treasury officials] to be rather explicit on the influence of the permanent Civil Service on differing governments. One of the questions they are assessing is the willingness of future British Governments to repay its debts. I suggest that it would be worth making the point explicitly at your meeting the permanent civil service (and the Bank of England) has very great influence on governments when it comes to acknowledging the force of commitments entered into by their predecessors. Morgan Stanley thought that this would be a persuasive argument, especially if you made it" (T 381/52). • *Highlighting institutional capabilities*, specifying powers of government, for example, macroeconomic policies and national resources: In a meeting between the chancellor and representatives from the US Credit Rating Agency, Standard and Poor's Corporation, in a Q and A format, "...the chancellor said it was recognized that the benefits of North Sea oil would not transform the UK economy on the same scale that oil had, for example, transformed the economies of certain OPEC [Organization of the Petroleum Exporting Countries] countries, but that it did provide some useful additional room for maneuver. The government intended to use the period when the oil was available to strengthen our industrial structure and improve industrial performance ... the government wishes to increase investment in the manufacturing industries, and in the energy sector, and the revenues from North Sea oil will be helpful in this respect. Moreover, in terms of the balance of payments, the benefits from North Sea oil will be more than marginal, adding about £8 billion to the current account in the mid 1980s" (T 381/52). • *Communicating institutional durability*, detailing the stability of the institutions in which the government is embedded: When S&P rated the UK, they noted in press releases that "The strength of a country's social fabric is an important consideration in the assessment of long-term creditworthiness" (T 381/55).

Abbreviation: IMF, International Monetary Fund.

4.1 | Context: Financially weakened UK government embedded in strong institutions and dependent on corporations

The context and structure of the UK government is central to understanding how government officials attempted to influence credit rating corporations in the late 1970s. Key factors include the organization of UK government, institutional strengths and constraints, a weakened economy, damaged political image, and powerful credit rating agencies.

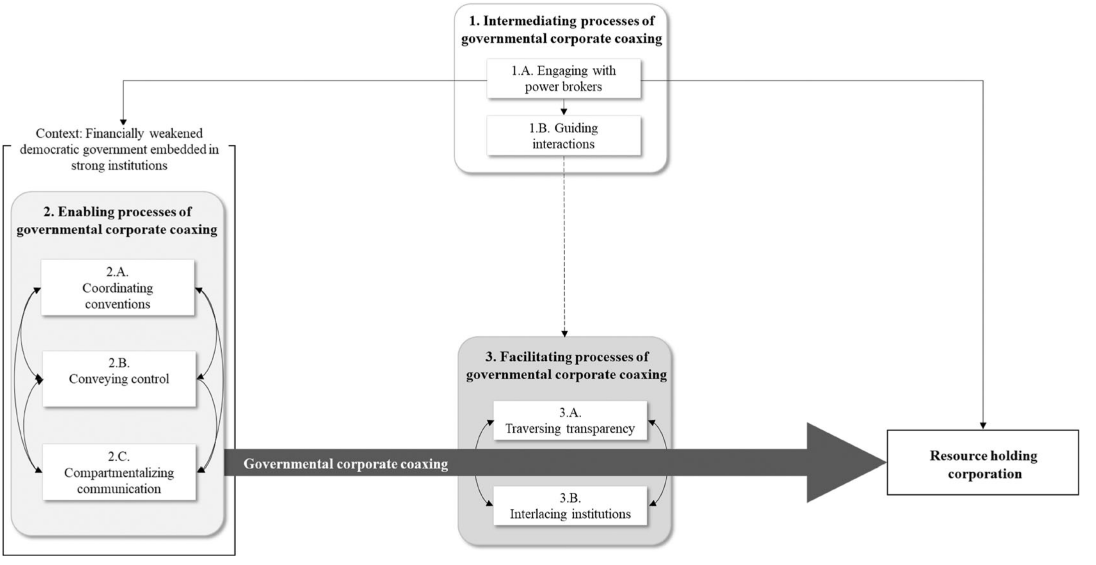

FIGURE 2 A model of governmental corporate coaxing: enabling, facilitating, and intermediating processes.

4.1.1 | Organization of UK government

In our study, James Callaghan served as prime minster from 1976 to 1979. The prime minister leads the government and appoints senior members of government to the cabinet, who collectively decide government policy. Typically, the prime minister and all senior members of the cabinet belong to the same political party—in our case, the Labour party—which encourages similar but rarely homogenous interests. A key and senior member of the cabinet is the chancellor of the Exchequer, who is head of HM Treasury and responsible for all economic and financial matters. A focal figure in our study is Denis Healey, who served as chancellor and head of the Treasury from 1974 to 1979. The Civil Service is an unelected and permanent bureaucracy that supports the government, disseminating information to ministers and often to the public.

4.1.2 | Institutional strengths and constraints

Unlike many states, the UK does not have a codified constitution. Instead, it has an unwritten constitution formed of Acts of Parliament, conventions, and court judgments. This constitution has been described as the "hidden wiring" of the state (Hennessy, 1995) that guides the relationship between the core institutions of UK government: the legislature (the two Houses of Parliament), judiciary, and the executive (prime minister, other ministers, and civil servants). The power of the prime minister, the cabinet and their respective departments is constrained by parliament and judiciary as well as by electoral cycles. General elections occur approximately within a 5-year period, based on convention rather than requirement at the time of our study. An election can be triggered earlier by the choice of the government or by a vote of no-confidence.

The Treasury is the government's economic and finance department, controlling public spending and setting economic policy. A main domestic institutional constraint on the Treasury is the Bank of Engand (BE). The BE executes monetary policy, domestic and external, and formulates, in conjunction with the Treasury, financial policy (Cairncross, 1988). The institutions of "the Treasury and Bank of England hold an effective monopoly on macroeconomic policymaking in the UK, possessing the sum of fiscal, tax, monetary, credit, and budgetary policymaking powers." (Craig, 2016, p. 6) The Bank of England act (1946) prevented "any day-to-day interference by the Government or the Treasury with the ordinary work of the bank" (Cairncross, 1988).

4.1.3 | Weakened economy

The UK economy endured many crises during the mid-1970s: industrial disputes, high rates of inflation and the collapse of Bretton Woods system damaging sterling (Schenk, 2010). The City of London and British banks had turned to domestic markets though they would go on to become more internationally oriented in the 1980s (Kern & Schnyder, 2019). Significant economic challenges and growing pressure on the Pound informed prime minister Callaghan's decision to seek a bailout from the IMF in 1976 (Callaghan, 1987). The United States government retained a veto over IMF decisions and imposed conditions on any loans. The IMF constrained the Treasury, for example, with binding rules on the UK such that a specified level of public sector deficit automatically "triggered" a policy change (Clift & Tomlinson, 2012). Callaghan and Healey were both concerned that the UK would be unable to repay the IMF and if "it could not, British economic sovereignty would be in question" (Dell, 1996, p. 425).

4.1.4 | Damaged political image

Economic difficulties had damaged the ruling Labour government's reputation for economic management and bolstered support for the opposing political party, the Conservatives led by Margaret Thatcher. Thatcher's Conservative party sought to contrast their belief in free market principles (see Kern & Schnyder, 2019) with Labour's commitment to government intervention and the redistribution of income. The Conservatives argued that the Labour government was inept in managing the country's finances, with the IMF loan seemingly proving their point. Indeed, the Conservative party motioned a vote of no-confidence in 1977, seeking to convey the government as mis-managing the economy, which the Labour government narrowly survived.

4.1.5 | Powerful credit rating agencies

Two credit rating agencies, Moody's and Standard and Poor's, were both owned by US corporations in the 1970s—Moody's Corporation and McGraw-Hill, Inc. Moody's and Standard and Poor's were "two firms" that "predominate" in various bond-rating fields (Morton, 1975). Their role was to classify bonds and borrowers based on their probability and magnitude of default or loss of market value. Borrowing was important for the UK given their need to fund debt in the 1970s. The UK government's grudging acceptance of Standard and Poor's higher than expected fee of $50,000, from $30,000, in 1978 (T 381/149, A) indicates their dependence on the ratings agencies (see Rogan & Greve, 2015). We focus on these agencies' first evaluations of the UK's public sector requirements for foreign currency borrowing.

4.2 | Process 1. Intermediating processes of governmental corporate coaxing

Intermediating processes explain how a third-party actor makes government officials aware of a corporate resource dependency and the potential to manage this dependence. Third-party actors foster the corporate–government relationship, clarifying the guidelines of interaction through which resources and power can flow. Our analysis suggests that the UK government's decision to pursue corporate coaxing was informed by (1.A.) engaging with power brokers. We draw attention to the role of these power brokers in (1.B.) guiding interactions with the agencies to enhance the influence of the government.

4.2.1 | 1.A. Engaging with power brokers

This category describes a government seeking or receiving advice from a third-party actor who can affect the distribution of political or economic power. In our case, this was the US investment bank Morgan Stanley.

Identifying sources of information

In February 1976, bankers from Morgan Stanley visited the UK to ask Treasury officials if they had considered borrowing on the New York market rather than Eurocurrency (T 381/49, A). The bankers believed this would be attractive to the Treasury, as New York provided another source of funding to manage government debts and could offer a better rate of borrowing. Morgan Stanley gradually increased pressure on the government, where in February 1977 they were "arguing" for the Treasury to "think seriously about a borrowing operation in New York" (T 381/49 C) though the government was more influenced by domestic and economic issues than by the bank's suggestions.

While Morgan Stanley stood to gain a fee by working with the government, they were also a valuable source of information. Officials noted how they had "been able to learn quite a lot" from Morgan Stanley (T 381/49 D). As representatives from the US bank explained to Treasury officials, "Morgan Stanley is, as you know, close to both agencies and has assisted them in developing criteria for the rating of sovereign governments" (T 381/49 E; Gill, 2015). Our interviews with a former rating firm executive corroborate the importance of banks, with other countries relying, initially, on these intermediaries in the same period to secure ratings.

Collaborating with "middle-men"

Chancellor Healey agreed to proceed with Morgan Stanley to prepare an application to the rating agencies in November 1977. Since late 1976, Morgan Stanley had become "de facto" the Treasury's "chosen instrument" (T 381/49 F) by outlining a range of plans if the UK government wanted to secure a credit rating" (T 381/49 E). Morgan Stanley noted that they were "prepared to (...) cover what needs to be done with the rating agencies" (T 381/49 G).

4.2.2 | 1.B. Guiding interactions

This theoretical category describes how a power broker advises a government to act toward a corporation to manage a resource dependency. In our case, Morgan Stanley guided the government in recognizing the potential to influence the credit rating agencies and advising them on how to do so effectively.

Establishing points of reference

Morgan Stanley provided comparisons to the Treasury to reassure them about the possibility of being able to influence the ratings agencies. They noted, for example, their experience in supporting other countries in achieving a AAA rating in New York market (ANZ W4446 A, C).

Developing tactics

Within a more formalized relationship, Morgan Stanley continued to visit the Treasury throughout 1978, creating a team to develop a draft submission to the rating agencies. This team was "polishing the draft and circulating it for comments within the Treasury and bank" (T 381/51 A). "Polishing" entailed highlighting the strengths of the UK government, such as the reduction of the national debt and inflation, the potential of oil production in the North Sea, while detailing debts in a footnote (Gill, 2015). This document would ultimately be submitted to the ratings agencies "informally and in Morgan Stanley's name" to protect the government's reputation (T 381/51 A).

4.3 | Process 2. Enabling processes of governmental corporate coaxing

These processes explain how government officials gain the authority, on behalf of the state, to attempt corporate coaxing. Our analysis highlighted how officials navigated the checks and balances of the state. Officials (2.A.) coordinate the conventions of the state so that they are permitted to act, (2.B.) convey a sense of control so state institutions believe action will be successful, and (2.C.) compartmentalize communication to minimize resistance to action.

4.3.1 | 2.A. Coordinating conventions

This category describes government officials aligning democratic state conventions to enable action. In our case, Treasury officials coordinated multiple and interlocking conventions of UK government to allow corporate coaxing to unfold. This required aligning multiple cabinet ministers and independent institutions such as the BE, behind their plan.

Crafting consensus

The eventual attempt of government officials to influence credit ratings needs to be understood in a wider context of earlier cabinet discussions. Prior to the plans to secure a credit rating, chancellor Healey and the Treasury faced opposition over 6 weeks from members of the cabinet regarding their broader debt plan and request of an IMF loan in 1976. Heated debates within the cabinet regarding this plan were laid bare in a TV reenactment the following year titled "Cabinet in Conflict" (Granada, 1977). Opposing ministers then fell in line to prevent the image of fractured cabinet and weak prime minister.

This cabinet consensus was an important step, as the convention of collective responsibility dictates that decisions made by the cabinet are binding on all members of the government (later documented by Government-UK, 2011). Such consensus took on greater weight given fears of further negative publicity surrounding cabinet conflict and an inability to govern. When the chancellor became convinced of the need to secure a credit rating in 1977 to access the New York market, we infer from the evidence that the prime minister supported Healey in approaching the agencies (T 381/50, B, C) and the cabinet fell in line.

Inducing independencies

Another convention the Treasury needed to manage to enable corporate coaxing was to overcome reluctance from a closely related but ostensibly independent institution: The Bank of England. The Treasury had remained in close contact with the BE throughout its discussions with Morgan Stanley. The BE continued to raise doubts about opening discussions with the agencies, suggesting that "we do not do much active work at this stage," and later recommending a "deliberately arms-length acknowledgement to Morgan Stanley" (T 381/49 J). The BE's concern was that they would not secure a high credit rating and the reputational damage of this considering "the recent stream of adverse economic news," which could lead to existing European borrowing opportunities being "spoiled" (T 381/49 I).

Gradually, throughout 1977, the Treasury reached agreement with the BE that there was a possibility of achieving a good credit rating. The Treasury outlined a range of recent factors that indicated potential success, including the United States emerging from recession and a reduction in the UK rate of inflation, which meant "there was very little doomwatch talk about the UK economy" (T 381/49 H). By the end of 1977, in a meeting with the chancellor, senior Treasury, and BE officials, it was recorded that "it clearly made sense to seek a credit rating in New York soon, while the going is good" (T381/50 D). Establishing additional sources of finance was viewed as prudent, highlighting the government's recognition of their dependence on the credit rating agencies.

Engineering elections

While chancellor Healey had gradually won the necessary support to approach the credit rating agencies by 1977, time was limited. Callaghan's Labour government was precariously positioned, having survived a vote of no confidence in the same year. Sensing defeat at the polls, Callaghan utilized his prerogative to delay the date of the next general election (Dorey, 2016). Callaghan thereby provided his government with time to wait until the UK's economic position appeared stronger and for the Treasury to implement their plans. Through the coordination of these conventions, the Treasury now had the opportunity to pursue corporate coaxing targeted at the credit rating agencies.

4.3.2 | 2.B. Conveying control

This category describes officials or department(s) convincing other state officials that they possess the requisite power to successfully perform corporate coaxing. This includes the removal of any impediments in officials' potential to exert influence over a resource-holding corporation. Our analysis reveals how chancellor Healey and Treasury officials worked hard to convey financial strength, especially in terms of two recent weaknesses: the struggling economy and the IMF loan.

Building confidence

The chancellor was eager to capitalize on recent economic success, which was building confidence in both the UK economy and government throughout 1977. The success of securing an IMF loan (Ludlam, 1992), alongside the decline in unemployment and inflation, albeit only in recent months (Healey, 1989), had helped to address the government's concern that "to some people we have become almost a symbol of economic failure" (T 381/51 B). A minister noted that the "exchange rate is a virility symbol" (T 381/51 B). In 1975, UK inflation stood at 30%. In the second half of 1977, inflation had fallen to under 7%, which was described by senior Treasury officials as a "radical change for the better" (T 381/51 B). The chancellor and Treasury viewed the time as right to begin securing a credit rating (T 381/50 E), with their claims more likely to be persuasive to the agencies.

Reducing dependencies

To wrest more control, Healey focused on paying off the IMF loan earlier than expected. He acknowledged earlier forecasts had been too pessimistic and he would be able to pay off the latest loan from the IMF in advance of 1979 in part due to an improving economy (Healey, 1989). Repayment would give the Treasury greater control over its macroeconomic policies that were constrained by the conditions of an IMF loan. Healey recalled how he used to talk longingly of "'Sod Off Day—the moment where I would at last be free of IMF control. 'Sod Off Day' came much earlier than anyone expected" (Healey, 1989, p. 433). Healey began freeing the UK of dependence on the IMF and of the risk of veto by the US government on policies (Burk & Cairncross, 1992). This gave the Treasury confidence that they could convince the agencies they warranted a "triple A" rating.

4.3.3 | 2.C. Compartmentalizing communication

This category describes government officials controlling the flow of information—that relates to securing a corporate resource—within the state, by sharing differing degrees of information with different sections of government, institutions, and the public. This compartmentalizing allows officials to avoid raising concerns across these sections and to circumvent resistance to corporate coaxing.

Classifying communication

Given that the democratic government served the public and was expected to be transparent, the Treasury's managing of the sensitive nature of a credit rating was a delicate process. The Treasury was clear from the outset that "we do not want any publicity given to these discussions and all involved are aware of the need for strict confidentiality" (T 381/52 A). Officials were aware that a good credit rating may require economic reform, which could generate considerable opposition. Furthermore, if the government did not receive a good rating, confidentiality could avoid the bad publicity and economic risks. The public were kept in the dark. Treasury officials had even developed a series of "Q and As" to respond to press questions should the chancellor be asked. If asked whether a rating agency had contacted the Treasury, the chancellor was advised to "not deny that this is so (…) but (…) try to play down the significance of the visit" (T 381/52 A).

Channeling communication

Even those working with the Treasury on the credit rating plans were not involved in the government's longer term financial planning. Unbeknownst to Morgan Stanley, the Treasury had drawn up a roster of alternative banks and would ultimately work in partnership with Morgan Stanley, First Boston, and Salomon Brothers to secure loans in New York (T 381/50 C). In November 1977, the chancellor approved Morgan Stanley approaching the credit ratings agencies in secrecy, which Callaghan then approved.

4.4 | Process 3. Facilitating processes of governmental corporate coaxing

Facilitating processes explain how government officials make attempts to coax corporations easier and more likely to succeed. While *enabling* processes occur largely within the state to allow officials to initiate attempts to coax corporations, *facilitating* processes operate between officials and corporations. Our analysis highlighted several tactics that the Treasury and BE employed to render their corporate coaxing more effective. These tactics were informed by Morgan Stanley, who informed the Treasury that "the rating agencies have tended to be open with us and have been willing to engage in informal discussions prior to the official application for a rating. This has proved useful to us in our role as advisor to a number of sovereign governments." The bank also stated it would "define areas of particular interest to them (agencies)" (T 381/49 E). Drawing on Morgan Stanley's advice, memos reveal that Treasury officials understood that their objective was to convince the agencies (T 370/471 A). To make their attempts at corporate coaxing more persuasive, government officials enacted two processes: (3.A.) traversing transparency, (3.B.) interlacing institutions. These processes occurred in March 1978, when the rating agencies analysts from visited London to help them determine an ultimate rating decision (T 381/52 B, T 381/52 passim).

4.4.1 | 3.A. Traversing transparency

This category describes officials iterating between illuminating and obscuring state information. On the one hand, considerable state information is already in the public domain within a democratic state. On the other hand, officials try to present the government and state in a favorable light. In our case, the government's narrow survival of a vote of no-confidence, high inflation and unemployment were well publicized. Officials traversed this transparency in talks with the agencies through two tactics—employing government privilege and using impression management.

Employing government privilege

The Treasury and BE exerted considerable control over what data were shared and how it was presented to the rating agencies. The rating firms had requested a copy of a private IMF report on the state of the UK. The Treasury noted that "there has been a considerable amount of pressure from the commercial institutions (credit rating agencies) for the release of these commercial documents" but argued that they are "confidential and may not be released outside official channels" (T 381/52 C). To be clear, the government could have released these if they wished, but chose not to (T 381/52 G). As revealed in our interviews with a retired civil servant, in many previous instances of private parties seeking to access government records, the government claimed it was privileged not to disclose documents for the public interest.

Using impression management

The Treasury understood that the rating agencies would instead "expect to interview officials of reasonable seniority," with officials planning to "parade" senior officials, including the chancellor (T 370/471 A). The Treasury wanted to manage impressions and avoid allowing the agencies to speak with anyone outside the BE or Treasury, as it would be "impractical to brief" these people in the time available (T 381/52). During talks, Treasury officials and chancellor Healey explained recent economic issues were "certainly not just a matter of economic management" and "secular and cyclical factors," which affected many states. Healey noted "private manufacturing in the UK was probably doing better than in most European counties" (T 381/52 E).

4.4.2 | 3.B. Interlacing institutions

This category describes officials emphasizing how they can exercise power by working with and within strong state institutions. This involves stressing the ability of officials to coordinate multiple state institutions and manage the intricate inter-connections between these institutions. In our case, Treasury and BE officials' use of corporate coaxing relied on signaling to the ratings agencies that UK institutions were a credible investment and, relatedly, that the government could wield considerable power over a range of macro-economic factors. They did so through three tactics—signaling institutional alignment, highlighting institutional capabilities, and communicating institutional durability.

Signaling institutional alignment

Keenly aware of the governments' socialist image and the recently faltering economy, the Treasury understood the importance of presenting the picture of UK government institutions as aligned behind less, rather than more, government involvement in the economy (T 370/471 B; T 381/52 E). For instance, the chancellor mentioned he would like to move toward a "loosely structured arrangement" in terms of income policy and limiting government involvement in union and industry pay norms (T 381/52 E). Civil servants stressed how both the Treasury and the BE were committed to key performance metrics, including high levels of employment, low levels of inflation and improved industrial relations. In their preparations for the rating agencies, civil servants referred consistently to the "government," not the Treasury, and an "industrial strategy" across all parts of the government (T 381/52 F; T 370/471 C) to convey institutions working together. Officials neglected to mention a strong left-wing and interventionist sentiment within Labour, regarding taxation and nationalization (Heppell & Crines, 2011).

Highlighting institutional capabilities

A fundamental tactic of chancellor Healey was to call attention to the broad capabilities of the government. Morgan Stanley had advised the Treasury to stress the importance of state institutions and for the chancellor to "emphasize not only economic factors, but demographic, educational, political, social, and other elements bearing on the creditworthiness of the nation and the character of its people" (T 381/49 E). Healey pointed out to the analysts the strengthening national economy and the potential of North Sea Oil as a national resource. Selling the oil found in the North Sea was expected to add "£8 bn (billion) to the current account" (T 381/52 E, D; T 381/53 A).

Healey also outlined a range of planned economic actions, including no significant public sector expansion in the following decade, no further nationalization and plans to reduce income tax (T 381/52 E). He noted how he had used monetary policy to control inflation. While Healey emphasized his influence over matters of privatization and tax rates, his autobiography highlights the difficulties of controlling national taxation and industrial performance (Healey, 1989, pp. 402–407). The Treasury attempted to shape analysts' interpretations by highlighting the powerful capabilities of the government, which did not lend themselves to quantification and measurement by the rating agencies. As a retired credit rating executive revealed of the ratings process: "At the bottom is a matter of interpretation."

Communicating institutional durability

Another subtle, but continuous, tactic of the Treasury was to remind the credit rating agencies of the durability of UK institutions and their long history of success. When asked to explain the UK's recent economic woes relative to other states, the chancellor drew attention to the wider sweep of history, responding that "we were first in the industrial revolution." (T 381/52 E) An interview with an executive from a credit rating agency confirmed that the history and stature of countries would factor into their assessment. It was no surprise that the UK government invited the credit rating analysts to visit London and historic government buildings.

4.5 | Outcome of governmental corporate coaxing

It is important to stress that corporations, such as credit rating agencies, are not passive targets of coaxing. Chancellor Healey, the Treasury, and Morgan Stanley believed it necessary to expend considerable effort to persuade the agencies. Further, the agencies actively sought out more information and used their meetings to determine their rating (T 370/471 B). Both Moody's and Standard and Poor's eventually informed the government by April 10, 1978 that they had received a "triple-A" rating (T 381/54 A). The following day, chancellor Healey announced in the House of Commons that he proposed a British Government bond issue in New York, with this issue rated "triple-A" by rating agencies (Hansard, 1978). Both ratings agencies noted the UK's strong economic control and stable social institutions as factors driving their decisions (T 381/55 A, B; Gill, 2015).

4.6 | Considering alternative explanations

To build trustworthiness in our interpretation that officials influenced the agencies' ratings of the UK government, we consider two alternative explanations. One alternative is that when the government sought a rating, it had been 2 years since the IMF bailout and the economy had improved, so the UK was always going to be awarded the highest rating. However, we argue that the evidence supports our interpretation for four reasons. First, Standard and Poor's explained the delay on making a decision on the UK rating in April 1978 by suggesting that "the UK was not an 'open and shut' case" for a "triple-A' rating" (T 381/149 C; Gill, 2015, p. 1033). Treasury officials reported back from their conversations with Standard and Poor's

(T 381/149 C): "(a) As we were a new borrower a considerable amount of preliminary work was required (…) (c) The fact that the UK was not an "open and shut" case for a triple A rating has entailed extra work (this is not a particularly flattering reason as far as we are concerned)." Second, Morgan Stanley—which had assisted the agencies in developing criteria for rating sovereign states (T 381/49, E)—told the UK government to discuss "areas of emphasis" during discussions with the agencies (T 381/49 E) and spent many months advising on tactics that would be "persuasive" (T 381/52 H).

Third, that senior government officials also spent many months preparing for the agencies indicates officials' belief that they would need to influence the rating decision. Treasury officials understood that their objective was to "convince" the agencies that the UK was a worthwhile "bet" (T 370/471 A; Gill, 2015, p. 1031). Fourth, the UK press viewed the ratings as rather generous and as "portraying a somewhat better Britain than the one they know" (T 381/55 C; Gill, 2015, p. 1034). Indeed, the underlying economic and political difficulties became apparent only months later, when the UK entered its "Winter of Discontent" with surging inflation and widespread industrial action (Schenk, 2010). Collectively, this evidence highlights the doubts held by a variety of parties concerning the UK's AAA rating. Relatedly, both officials and Morgan Stanley believed that without coaxing the rating could be below a triple-A rating.

A further consideration is that Morgan Stanley, rather than the government, was the key causal driver of the favorable credit rating. This argument considers that Morgan Stanley steered both the UK government and the ratings agencies toward a positive, mutually acceptable outcome, as the bank stood to gain fees. However, while Morgan Stanley served an important role as an intermediary, the bank did not drive nor execute attempts to secure the AAA rating. The UK government's Treasury was the strategic decision maker in the process of corporate coaxing. Early on, the Treasury described Morgan Stanley as their "instrument" (T 381/49 F). The Treasury made their own decision to approach the rating agencies, weighing up the pros and cons of such a decision through lengthy discussions with the BE, and initially rejected Morgan Stanley's suggestion as they did not want to run "the gauntlet of seeking a credit rating" (T 381/49: B), which was required to access New York markets. The Treasury's decision was informed more by the constraints of government, such as political and social elements (T 381/49 E). Morgan Stanley provided insights into how best to sway the agencies but were not present in the meetings. It was government officials who met with the agencies and leveraged government information and institutions to influence their decision making. In perhaps the most telling display of who controlled the process, government officials excluded Morgan Stanley from several meetings and drew up a roster of additional banks to secure loans in New York (T 381/50 C).

5 | DISCUSSION

Our study sought to understand how a democratic government can influence the decision making of global corporations, on which they are dependent but have limited direct control. We drew on a case study of the financially weakened UK government between 1976 and 1978 and their attempts to influence two credit rating firms to secure a discrete resource: a triple A credit rating. Through our analysis of the case, we constructed a model of a process we describe as *governmental corporate coaxing*. Coaxing describes obtaining a discrete resource by persuasion (in our case, a credit rating). We show how coaxing was enabled and facilitated by state officials, and intermediated by a third-party, through specific processes.

Our study explains the important role of power brokers—a specific form of intermediary which mediates ostensibly dyadic interactions to affect the distribution of political or economic power—in corporate coaxing. We use intermediation to describe the transitory involvement of a third-party to highlight and guide the management of discrete dependencies. Intermediation is therefore distinct from the cooptation theorized in existing accounts of RDT (Pfeffer & Salancik, 1978) and political action (Dorobantu et al., 2017), whereby organizations in a position of dependence may acquire or merge with a third-party that provides critical resources. Power brokers are "globalizing actors" who actively develop internationally consistent ways of doing things (Edwards et al., 2022). In our case, Morgan Stanley explained to the UK government how to complete a novel transaction—securing a credit rating. We contend that such intermediation is a vital element of governmental corporate coaxing, at least initially, by forming new relationships through which governments identify and manage resource dependencies.

We present corporate coaxing as a novel and specific approach that government officials can employ to influence corporate decision making and action. Corporate coaxing differs from government fiat and bargaining approaches (Boddewyn & Brewer, 1994) that reflect governments operating from a position of relative strength when engaging with corporations (e.g., Abdurakhmonov et al., 2021). Instead, we found corporate coaxing to be associated with a government attempting to influence a corporation from a position of limited control. Corporate coaxing also differs from bridging and buffering strategies, which have typically been conceptualized in terms of corporate actors seeking to manage governments (Blumentritt, 2003; Meznar & Johnson, 2005; Meznar & Nigh, 1995). In our case, officials did not seek to bridge or meaningfully comply with corporations' expectations. We also found that the government did not buffer or attempt to defend themselves from a corporation's external interference through developing corporate ties. Instead, we show how corporate coaxing was a short-lived approach to secure a discrete resource. We thereby advance the conceptualization of government as a strategic actor by showing how officials draw on a wider variety of strategies to manage corporations than currently theorized.

Our view that governments can act strategically by using corporate coaxing processes suggests three implications for corporations and managers. The first implication is to reconsider the boundaries of government. While governments can influence local standards (Crilly, 2011; Crilly et al., 2012), their influence can extend beyond state policies or regulations. This is likely to be important for corporate managers and scholars alike, who often view the government as synonymous with the law and thus focus on governments as regulators of a distinct area (e.g., Hillman & Keim, 2001). This regulatory focus risks obscuring how active governments can be as stakeholders in corporations and overlooking officials' resourcefulness in extending the reach of their influence on corporations. As managers who specialize in specific stakeholders have been shown to be more effective in managing relationships than generalists (Crilly & Sloan, 2014), our study indicates the value of managers who specialize in government stakeholders to attend to their subtle influence.

A second implication that emerges from corporate coaxing is that governments may influence a corporation's decision making indirectly. We show that governments are not always passive when rated by corporations but seek to influence ratings processes in subtle ways. Yet external assessments are often treated as impartial predictors of financial risk (Kölbel et al., 2017). The growing interest in corporations that provide global governance through certifications and rankings (Bae et al., 2013; Sleptsov et al., 2013) further emphasizes the value of managers who specialize in government stakeholders and could evaluate ostensibly impartial assessments of countries. Such evaluations are important in deciding, for example, new market entries as governments can alter firm profitability in many industries (García-Canal & Guillén, 2008).

A third implication is that many of the capabilities and expertise that corporations have developed to influence governments, through corporate political action (Oliver & Holzinger, 2008), may not be apposite to detect or respond to governmental corporate coaxing. Our findings highlight that corporate political action and governmental corporate coaxing differ markedly from one another. Corporate political action is a relatively autonomous and longer-term relational approach (Hillman & Hitt, 1999), which is relatively visible (Pfeffer & Salancik, 1978). In contrast, corporate coaxing is episodic within democracies, as such action is often precarious and short-lived. Our focus on government departs from much of the strategy literature that has typically focused on "the firm" (Burgelman et al., 2018, p. 532). We suggest that democratic governments are a distinct type of strategic actor because they must manage, for instance, conventions, election cycles, and institutional structures (checks and balances) (Broz & Frieden, 2001; Henisz & Zelner, 2005, 2006). Corporate coaxing is a distinctive process of influence that reflects the unique constraints of government and is not akin to corporate political action.

Given our emphasis on theorizing governments as dynamic actors who interact with corporations through distinct processes, it is important to stress that we do not characterize the corporations that are the target of coaxing as passive. The extant literature has demonstrated that corporations will protect their interests and manage their own dependencies (Pfeffer & Salancik, 1978). Our intention is to detail how governments employ a range of specific processes to navigate distinctive constraints and leverage unique strengths that differ markedly from corporations. Our findings thus deepen our understanding of governments as strategic actors in their interactions with corporations.

6 | BOUNDARY CONDITIONS

As Makadok et al. (2018) point out, the inductive approach we adopt offers realism by being grounded in data but raises questions about the reproducibility of our model. Our methodological approach holds that phenomena are tied to a unique context and time, which may be transferable to another context if there is a strong degree of fit (Gill et al., 2018). We expect our model to explain how democratic governments with strong institutional foundations can use corporate coaxing to secure a clearly delineated resource, such as ratings or financial loans, from a small number of resource-holding corporations, in a brief period.

6.1 | Variation on key processes

We posit that there will be variation on the intermediating, enabling, and facilitating processes in our model under different conditions. We confine our consideration to democratic governments that are resource dependent on corporations operating beyond the direct control of the state. We suggest that intermediating processes may be less relevant for long-established resource dependencies. In our case, investment banks served to highlight a government's dependence on a corporation as well as the potential to manage this dependence as ratings were a new resource. Such brokering may become less important as governments form their own relationships and become adept at managing these relationships.

We argue that an absence of enabling processes—*coordinating conventions*, *conveying control*, and *compartmentalizing communication*—could prevent the initiation of governmental corporate coaxing. In some settings, coordinating conventions may be particularly important. For example, the UK's political system concentrates power in a majority government that operates within largely uncodified conventions. This is distinct from more federalized and formalized systems (e.g., Germany and United States) where emphasis may be placed on coordinating conventions given the greater need to build coalitions.

We believe that variation on the facilitating processes—*traversing transparency* and *interlacing institutions*—could explain some heterogeneity in outcomes of corporate coaxing. An important source of variation on facilitating processes is the period. Our model emerged from a case study set in the late 1970s. Government accountability and transparency requirements within democratic states are higher today than 40 years ago (Meijer, 2014). Technological developments mean that corporations have more data available to assess governments, which suggests that managing publicly available data through impression management and government privilege would be harder to facilitate now. In terms of interlacing institutions, our case indicates officials' belief in the value of conveying control over state capabilities (e.g., macroeconomic policy). While many governments possess such capabilities, whether they can be effectively leveraged remains a matter of interpretation and open to influence hence the importance of corporate coaxing in contemporary settings.

6.2 | Limits of transferability and future research

Our model is based on a single case and cannot explain all the conditions under which, or how, all forms of governmental corporate coaxing will unfold. It would be useful to examine if coaxing processes remain the same when targeted at domestic or international corporations. Further research could consider how resource dependent governments seek to influence resource holding corporations over extended periods and in terms of more abstract resources such as higher productivity or innovation in the national economy. Scholars could examine how governments pursue corporate coaxing from a position of financial strength but embedded within weaker institutions. The corporate targets of coaxing also warrant greater attention, particularly the factors that inform their receptivity to influence.

7 | CONCLUSION

Drawing on a historical case study, we identified the distinctive processes through which governments manage their corporate resource dependencies when they have limited direct control over the corporations on which they are dependent. We integrated these processes into a model to explain how officials in democratic governments with strong checks and balances can coax corporations to secure a clearly delineated resource. Our model emphasizes how governments navigate domestic conventions and international conditions through a range of distinctive enabling processes, as well as how they attempt to persuade corporations through facilitating processes. In doing so, we extend and refine existing conceptualizations of governments as strategic actors by showing how officials actively manage corporate resource dependence.

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DATA AVAILABILITY STATEMENT

The archival data that support the findings of this study are available from the public archives listed in the manuscript in Appendix, Supporting information.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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