

S Y M P O S I U M

Strategy and Competition in the Market and Nonmarket Arenas

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Executive Overview

To provide mainstream strategy scholars with a ready entry point into nonmarket strategy research—and to inspire them to turn their attention to the nonmarket domain—we organize ostensibly disparate approaches to the study of nonmarket strategy by extending constructs and classifications first proposed by Barney (1986) to synthesize contrasting approaches to the study of “market” strategy. The organizing framework revolves around the conception of competition associated with a given theoretical approach. Applying this framework to nonmarket strategy research illuminates several areas requiring further investigation, which mainstream strategy scholars are well positioned to conduct.

Many observers believe that the field of “non-market strategy”—including research in positive political economy, corporate political activity, and comparative political sociology, among other areas—is suffering from an identity crisis. Though few would question the importance of the empirical phenomena that such research examines—how business organizations respond to and seek to influence their broader political and social environment—the diversity of research approaches employed, together with the infrequency of cross-citations by scholars working in different traditions, has hindered the field’s coalescence.

In this paper, we synthesize ostensibly disparate approaches to the study of nonmarket strategy based on their underlying conception of competition, a methodology developed by Barney (1986) in the context of “market” strategy. Though there exist a multiplicity of nonmarket strategy approaches, we limit attention to those that most closely correspond to the three prevailing “mar-

ket” strategy approaches considered by Barney—the industry analysis approach, the resources and capabilities approach, and the Schumpeterian approach—on the premise that mainstream strategy scholars can most readily connect and contribute to nonmarket strategy research in these areas. Columns 1–3 and 5–7 of Table 1 summarize our framework, the rudiments of which are as follows:

• Structural Perspectives

Among the main approaches to studying market-based strategy, the industry analysis perspective—which is based on the industrial organization (IO) concept of competition—emphasizes industry-level barriers to competition that permit incumbent firms to earn economic rents. Parallel perspectives in the nonmarket realm include the positive political economy (PPE) approach, which considers the formal institutional structures that serve as barriers to unfavorable policy changes; the corporate political activity (CPA)

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Table 1
Competition and Strategy in the Market and Nonmarket Arenas

	Market Arena				Nonmarket Arena			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Competition concept</i>	IO competition	Chamberlinian competition	Schumpeterian competition	Governance	IO competition	Chamberlinian competition	Schumpeterian competition	Governance
<i>Unit of analysis</i>	Industry	Industry/firm	Industry/economy	Transaction	Industry/economy	Industry/firm	Industry/economy	Stakeholder relationship network
<i>Core concepts</i>	Structure Conduct Performance	Monopolistic competition	The engine of creative destruction	Discriminating alignment	Checks and balances Interest group competition	Quid pro quo Corruption	Coercion Legitimacy	Mutual interest and dependence
<i>Disciplinary foundations</i>	Bain (1956) Bain (1968) Mason (1939) Caves and Porter (1977)	Chamberlain (1933) Robinson (1933) Penrose (1959)	Schumpeter (1934) Schumpeter (1950) Nelson and Winter (1982)	Coase (1937)	North (1990) McCubbins, Noll, and Weingast (1987) Bueno de Mesquita et al. (1999) Tsebelis (1995, 1999, 2002) Schwartz (1992, 1994)	Black (1948) Olson (1965) Buchanan and Tullock (1962)	Kingdon (1984) Baumgartner and Jones (1993) Garnson and Meyer (1996) Benford and Snow (2000) Tarrow (1988, 1996, 2005)	Homans (1958) Gouldner (1960) Blau (1964) Thibaut and Walker (1975) Lind and Taylor (1988) Scott (2010)
<i>Strategy theorists</i>	Porter (1980)	Barney (1986) Wernerfelt (1984) Prahalad and Hamel (1990) Grant (1996)	Teece et al. (1997)	Williamson (1975, 1985, 1996)	Baron (1999) Henisz (2000) Baron and Diermeier (2007) Henisz and Zelner (2006) Holburn and Vanden Bergh (2002) Siegel (2007, 2012) Martin and Salomon (2010)	Henisz and Williamson (1999) Henisz and Delios (2001) Fisman (2001) Faccio (2006) Morck (2000) Holburn and Zelner (2010)	Henisz and Zelner (2005)	Henisz et al. (2012)

approach, which uses different tools to address some of the same issues; and international political risk management research. Scholarship in comparative political sociology examining the constraints that informal institutional structures impose on the range of socially acceptable practices and policies is also relevant in this connection.

- **Nonmarket Resources and Capabilities**

The operative conception of competition in the resources and capabilities perspective is Chamberlinian, wherein the distinctive assets that a firm develops over time function as barriers to competitive imitation or substitution, and consequently serve as a source of economic rents. In the nonmarket context, research on the value of firms' distinctive political resources, such as ties to policy makers, rests implicitly on an analogous conception of competition. Experiential learning plays a critical role in both market and nonmarket approaches, producing scarce technological or marketing capabilities in the first case and scarce capabilities for managing political risk (and the policy-making process more generally) in the second.

- **Dynamic Approaches**

The operative conception of competition in the Schumpeterian tradition is dynamic: Novel designs introduced by entrepreneurial firms periodically replace established designs championed by powerful incumbents, redefining the competitive order. The nonmarket counterparts of such research—rooted in political science theories of agenda-setting as well as sociological theories of social movements and international policy diffusion—illuminate transformative social and political processes through which new policy ideals and prescriptions enter mainstream political discourse, ultimately reshaping existing policy.

We now consider each perspective in more detail.

Structural Perspectives

Structural perspectives on strategy attribute performance differences among firms (or groups of firms) to external structures that govern market or nonmarket interactions. In the context of

market strategy, the leading exemplar of such an approach is the industry analysis perspective, which embraces the industrial organization conception of competition by ascribing economic performance differences to the presence or absence of industry-level attributes—such as entry barriers and inelastic demand—that shield incumbent firms from the profit-eroding forces of market competition. Analogously, structural approaches to the study of nonmarket strategy ascribe performance differences to the political and social institutions governing a firm's interactions with relevant political officials and stakeholder groups.

Formal Political Institutions

Among the structural approaches to nonmarket strategy, the positive political economy approach—which examines how the formal political structures that govern the policy-making process influence policy outcomes—is most directly analogous to the industry analysis perspective. PPE research employs game theory to model policy-making interactions as a game that, in the classic case, involves elected officials and constituent groups exchanging favorable public policies for electoral support. Formal structures such as voting rules, committee jurisdictions, and veto thresholds affect the range of feasible policy outcomes by empowering some officials and constraining others (Gilligan, Marshall, & Weingast, 1989; McCubbins, Noll, & Weingast, 1987; Shepsle & Weingast, 1987; Tsebelis, 1995, 1999, 2002; Weingast & Marshall, 1988).

Though early studies in this tradition had a public policy orientation, they yielded a core strategic insight: that firms should target their lobbying and influence efforts at the “pivotal” political officials who, by virtue of their structural position, have the greatest influence over policy-making outcomes in a given domain (Baron, 1999; Baron & Diermeier, 2007; Holburn & Vanden Bergh, 2002). Thus, in much the same way that the industry analysis perspective on market strategy grew out of IO models designed to inform antitrust policy (Bain, 1956, 1968; Caves & Porter, 1977; Mason, 1939), the PPE approach to nonmarket strategy also originated by inverting models and insights first developed in a public policy context.

Subsequent research focused more explicitly on constituents' strategic behavior, such as making campaign contributions and selectively providing information to legislators (de Figueiredo, 2009). Other models illuminated external influences shaping nonmarket competition between firms and opponent groups, such as the relative preferences of political officials and the potential for coordinated actions by firms and their political opponents.

Research in the corporate political activity tradition, which focuses on "corporate attempts to shape government policy in ways favorable to the firm" (Hillman, Schuler, & Keim, 2004, p. 838), takes a less formal approach to some of the same questions considered by PPE scholars. Bonardi, Hillman, and Keim (2005), for example, used a supply and demand framework to classify key elements of market and nonmarket structure that influence democratic policy outcomes, such as elections, market structure, issue linkages, partisanship, and the status quo bias in democratic policy making. In a review article, Hillman et al. (2004) provided a thorough summary of such factors at multiple levels, as well as the role of formal institutional structures and firm strategies in moderating the impact of these antecedent factors on policy outcomes.

Theoretical research in the PPE and CPA traditions offers important insights into the influences shaping the strategic interactions between firms and political actors. Moreover, scholars in the former camp—most notably Baron (1995, 1997, 2011)—have made serious efforts to develop models that combine market and nonmarket considerations. The intricacies of many PPE models, however, have made it difficult to empirically test these models' predictions. Though CPA research is less formal in its approach, as noted above, it has produced too few empirically falsifiable insights to generate a substantial body of econometric research. A notable exception is a study by Holburn and Vanden Bergh (2006) that exploits variation across U.S. states over time to demonstrate that increased rivalry among politicians, together with firm-level experiential and peer learning, influences the success of privately owned American utilities' regulatory filings.

International research at the intersection of market and nonmarket strategy has attempted to overcome the empirical challenges that attend much structurally oriented research. The paradigmatic problem involves a multinational enterprise (MNE) considering entry into a given host country on the basis of existing public policies or political commitments. The decision of whether or not to enter hinges partly on the "political risk" that host-country political officials will renege on such covenants for purposes of political gain—often at the behest of domestic firms or interest groups—by altering or selectively enforcing relevant policies. The greater the constraints the formal structures governing the policy process impose on opportunistic officials, the lower the risk faced by the MNE and the higher the probability of entry.

This paradigmatic model permits empirical testing of first-order predictions from the research discussed above—especially that in the PPE tradition—by exploiting cross-national and intertemporal variation in national political institutions. Henisz (2000a) made an early contribution in this area by developing a formal spatial model of policy making whose main variables included the number of constitutionally independent policy-making entities with veto power over policy change as well as the level of heterogeneity in political officials' policy preferences. By populating this model with national political structure and individual partisan affiliation data from widely available political science databases, he constructed a cross-national, time-varying measure of the feasibility of policy change in a country. A variety of studies have found the measure, called the political constraint index, or POLCON, to be a statistically and economically significant determinant of such aggregate outcomes as national economic growth (Henisz, 2000a) and telecommunications infrastructure investment (Henisz & Zelner, 2001), as well as firm-level outcomes such as location choice (Henisz & Delios, 2001; Siegel, Licht, & Schwartz, *in press*; Wei, 2000; Wei & Hall, 2001), entry mode (Henisz, 2000b; Henisz & Williamson, 1999; Oxley, 1999), and investment sequencing (Delios & Henisz, 2002, 2003).

Two papers have attempted to advance this structurally oriented research by incorporating the role of interest group influences and by broadening the focus from political risk mitigation alone to the exploitation of political opportunities as well. In a study examining the global electric utility industry, Henisz and Zelner (2006) found that both the magnitude and the direction of the effect of formal political structures on foreign MNEs' investment levels depended on the strength of other interest group coalitions for which electricity generation was a salient issue. More recently, Henisz (2012) used a decision process framework incorporating stakeholder power, issue salience, and stakeholder ties and preferences to model the evolution of cooperation or conflict toward a given policy.

Informal Institutions

The final structural perspective we consider focuses on the structure of informal institutions related to national culture. Comparative political sociologists have argued that countries (and "institutional arenas" more generally) are associated with distinctive "institutional logics" that both inform social actors' normative assessment of economic and political practices and govern these actors' internalized sense-making processes (Biggart & Guillén, 1999, p. 726). Practices and actions that are inconsistent with a society's institutional logic are therefore unlikely to be comprehended, or even to be recognized in the first place (Biggart & Guillén, 1999, p. 726).

A small body of research in this area has focused on how culturally influenced norms of corruption (Mauro, 1995) as well as the link between ethnic or religious fractionalization and conflict (Caselli & Coleman, 2010; Cederman, Wimmer, & Min, 2010; Posner, 2004; Wimmer, Cederman, & Min, 2009) influence economic outcomes. Most research in this area, however, has considered the effects of different forms of "institutional distance" between an MNE's home country and a prospective host country. Various studies have employed a variety of distance measures, including variables based on the four dimensions of culture identified by Hofstede (1984), the nine dimensions identified by Robert House's GLOBE

(2004), and Shalom Schwartz's measures of deeply rooted belief systems based on primary education content (Schwartz, 1992, 1994; Schwartz & Bilsky, 1987, 1990). Research with an international political economy orientation has employed ostensibly more objective measures, such as common colonial origin (Acemoglu, Johnson, & Robinson, 2001) and religion (Barro & McCleary, 2003).

Formal institutional constraints and informal cultural institutions play an undeniable role in determining policy outcomes and economic performance. As a result, structuralist approaches have contributed greatly to nonmarket strategy scholarship. Such approaches, however, also leave little room for agency. In PPE models, strategic action often consists of choosing which political actors to provide information or campaign contributions to, often without regard to a firm's distinctive endowment or position. Similarly, strategic action in the international political risk tradition is generally limited to assessing the institutional structures governing a given market and deciding whether or how to enter, while sociological theorists emphasizing the pervasive influence of socially constructed beliefs and values on human behavior have been accused of portraying individuals as "cultural dopes" (Giddens, 1979, p. 52, 71). Critiques such as these parallel those made of the industry analysis perspective on market strategy, which has been criticized for downplaying firm-level attributes and providing normative guidance that boils down to the admonition that firms should seek structurally attractive industries or positions.

Nonmarket Resources, Capabilities, and Strategy

In the context of market strategy, the resource-based view (RBV) of the firm (Barney, 1991; Wernerfelt, 1984) arose as a response to perceived limitations of the industry analysis perspective. Building on Penrose's (1959) conception of the firm as a bundle of productive resources, the RBV—along with related approaches such as the capabilities-based view (Prahalad & Hamel, 1990) and the knowledge-based view (Grant, 1996)—

employs the Chamberlinian conception of competition, wherein individual firms earn economic rents by deploying distinctive assets that competitors are unable to imitate or substitute for (Chamberlain, 1933; Robinson, 1933). Nonmarket approaches in this broad tradition differ from their market-based counterparts primarily in the nature of the assets of central interest.

Resources

MNEs' political risk management strategies again provide the context for much relevant research. As discussed above, the risk of adverse policy change manifests itself in the behavior of opportunistic host-country officials operating under the constraints imposed by formal institutional structures. Not all MNEs are equally susceptible to political risk, however, nor are they equally capable of mitigating such risk by influencing host-country political officials. An early stream of research on the sources of such heterogeneity focused on easily observed firm-level attributes that might plausibly affect an MNE's level of bargaining power vis-à-vis host-country officials—such as size and profitability (Dickie, 1984; Masters & Keim, 1986; Salamon & Sigfried, 1977) or whether the MNE had a physical presence in a nation's capital (Lenway & Rehbein, 1991; Schuler, 1996)—as well as broader environmental conditions, such as a slump in domestic demand or a surge in imports, that might influence these officials' incentive to renege on prior commitments (Schuler, 1996). Another stream of early studies, all set in the United States, considered the role of supporting coalitions as a source of political bargaining power, demonstrating a positive relationship between the number and diversity of such coalitions and a firm's success in the nonmarket arena (Esty & Caves, 1983; Rehbein & Lenway, 1994; Yoffie, 1988).

More recent research in financial economics has moved beyond relatively rough measures such as these by examining the returns to a critical nonmarket resource, a firm's political connections (Fan, Wong, & Zhang, 2007; Fisman, 2001; Khwaja & Mian, 2005; Morck, 2000, 2007; Morck, Wolfenzon, & Yeung, 2004). Using various identification strategies, these studies have

demonstrated that a significant portion of firm value in emerging markets is attributable to political ties (Johnson & Mitton, 2003) and the impact (Leuz & Oberholzer-Gee, 2006) of these ties on capital governance, transparency, the likelihood of receiving a government bailout (Faccio, 2006). Other studies have examined both the benefits and the liabilities that political connections created for a sample of South Korean firms (Siegel, 2007) as well as the mechanisms used by a Malaysian business group to buffer itself against such liabilities (Dieleman & Boddewyn, 2012).

A smaller body of research has examined the role of political connections in a cross-national context. Boubakri, Cosset, and Saffar (2008) demonstrated the beneficial effects of political connections for an international sample of privatized firms. Other studies have examined the value of political ties in the face of market-oriented institutional reforms (Pei, 1996) and the differential value of various types of ties (Okhmatovskiy, 2010). Data-gathering efforts such as Kogut's (2012) Small World of Corporate Networks initiative may shed additional light on political ties' influence and evolution.

Capabilities and Experiential Learning

As noted above, much mainstream strategy research in the resources and capabilities tradition has emphasized the role of knowledge assets, especially those developed through experiential learning and therefore difficult for competitors to imitate or substitute for. Nonmarket strategy research has also considered the role of experiential learning by examining the effects of MNEs' prior experience on their subsequent choices about whether and how to enter politically risky countries. Delios and Henisz (2000) performed early large-n studies in this vein, demonstrating that the sensitivity of Japanese MNEs' entry mode choices to host-country political risk declined with relevant international or host-country experience.

A second set of related studies has considered the role of peer firms' experience. Research in organization theory has long argued that firms facing uncertainty are more likely to imitate their peers to keep search costs within reasonable limits

(Cyert & March, 1963), sort out alternatives, and legitimize their actions (DiMaggio & Powell, 1983; Mizuchi & Galaskiewicz, 1993). Henisz and Delios (2001) extended these insights to the nonmarket context by showing that the sensitivity of Japanese MNEs' foreign plant location choices to host-country political risk was influenced by the prior behavior of these firms' home-country and industry peers. Subsequent research has extended this finding by considering different types of peers, including managers within the same firm, managers at firms in the same industry, and managers at firms in the same country (Chan & Makino, 2007; Chan, Makino, & Isobe, 2006; Makino, Isobe, & Chan, 2004; Yiu & Makino, 2002).

Two recent studies in this vein have shifted focus from the learning process to the political risk management capabilities this process presumably generates. García-Canal and Guillén (2008) and Holburn and Zelner (2010) both examined the role of home-country environmental influences on a firm's foreign direct investment location choices, finding that MNEs originating in regulated industries, as well as MNEs from countries characterized by weaker political constraints or greater redistributive pressures, were more likely to invest in riskier host countries. Relative to studies focusing on the effects of experience per se, both of these analyses are less vulnerable to the common critique that experience is confounded with unobserved firm-level heterogeneity. In both cases, the authors tested hypotheses about conditional relationships, arguing that firms subject to specific environmental influences at home would make different choices in response to risk. Though unobserved firm-level heterogeneity remains a significant issue in this type of research due to the difficulty of data collection, the strength and robustness of the observed conditional relationships in these studies provide some of the strongest empirical evidence of political risk management capabilities to date.

Studies examining the sources and performance effects of heterogeneous firm-level resources and capabilities have substantially broadened the scope of nonmarket strategy research, in much the same manner that such studies broad-

ened the scope of mainstream strategy research. Yet there still remains a broader level of relevant research focusing on the inflection points at which markets, policies, and the institutional structures that govern them are periodically transformed, altering both the market and nonmarket environment.

Dynamic Approaches

Dynamic approaches focus on such inflection points. In the context of market strategy, such approaches typically employ a Schumpeterian conception of competition, wherein technological revolutions pave the way for entrants to unseat incumbents (Schumpeter, 1934, 1950). Exemplars include the evolutionary perspective (Nelson & Winter, 1982), the formalization of this perspective by scholars using so-called NK models (Levinthal, 1994; Levinthal & March, 1981, 1993; Rivkin & Siggelkow, 2003; Siggelkow & Levinthal, 2003; Siggelkow & Rivkin, 2005), and the dynamic capabilities perspective (Teece, Pisano, & Shuen, 1997). Though intuitively compelling, these approaches require further development, having thus far yielded relatively little in the way of generalizable insights or normative guidance.

Dynamic approaches to nonmarket strategy—the objective of which is to identify the sources of major inflection points in the nonmarket environment and, ultimately, to assist firms in forecasting such shifts—also have much room left for development. A firm foundation already exists, however, in existing studies of agenda-setting, social movements, and international policy diffusion. We briefly discuss such work in the context of nonmarket strategy research.

Agenda-Setting and Social Movements

Research on agenda-setting has a long history in political science (Schattschneider, 1967; see McCombs & Shaw, 1993, for a review). Such research portrays policy makers as catering to interest group demands, much as the canonical PPE models discussed above do. In contrast to these models, however, research on the agenda-setting perspective portrays policy makers as boundedly rational, and thus unable to address the full range

of potential issues that myriad particularistic interests routinely raise (Hilgartner & Bosk, 1988; Kahneman, Knetsch, & Thaler, 1986; Kingdon, 1984; McFarland, 1991). As a result, issues that have captured the public's attention—typically because they fit into a socially constructed interpretive schema or “master frame” that facilitates political discourse (Benford & Snow, 2000)—are more likely to make it onto the formal policy-making agenda.

Though theories of social movements are rooted in sociology rather than political science, they employ similar mechanisms and concepts. Their focus, however, is on the processes through which extra-institutional challenges to authority enter mainstream political discourse in the first place (Tarrow, 1988, 1996, 2005). Together with theories of agenda-setting, social movement research illuminates policy risk indicators that firms may assess for defensive purposes. Such theories can assist firms in designing influence strategies to demonstrate the consistency of their products or practices with established norms or ideals (Henisz & Zelner, 2010).

Henisz and Zelner (2005) provided an example of how agenda-setting and social movement theories can be applied in the context of political risk. Their specific focus was the risk faced by MNEs entering an industry recently subject to market-oriented reforms such as privatization and deregulation. Because such reforms typically continue to receive public scrutiny as their implementation details and initial economic consequences become known, careful attention to the social and political forces shaping political discourse during this period can help MNEs avert negative public sentiment and political backlash. The strategic implications of this research contrast sharply with the prevailing wisdom that multinationals should secure the strongest possible *ex ante* safeguards against policy reversal, such as front-loaded returns and (ostensibly) ironclad contractual guarantees. Because adoption of such safeguards might itself contribute to perceptions of illegitimacy, MNEs are better advised to exercise restraint in their contractual demands and to focus instead on adapting their business model to the local institutional context.

Zelner, Henisz, and Holburn (2009) empirically tested insights stemming from this research by examining the influences leading national governments in 30 countries to selectively renegotiate the terms of private power generation projects—effectively retrenching on recently adopted market-oriented reform policies—between 1989 and 2001. They found a large negative association between a country's level of indebtedness to multilateral lenders and the incidence of renegotiation events, suggesting that a decline in “coercive” external pressures reduced political officials' commitment to fully implementing the reform policies. Moreover, the extent to which a country's citizens were predisposed to favor private enterprise—as measured by electronically parsing all Reuters news articles for each country between 1989 and 2001—was strongly negatively associated with the incidence of renegotiation as well.

The World Polity Perspective on International Policy Diffusion

A primary implication of the foregoing is that managers who understand the determinants of legitimacy in a given society are better able to assess which existing and potential policies are likely to survive than those who focus exclusively on the configuration of economic influences and formal political institutions. World polity research, which is rooted in comparative political sociology, shifts the analysis back a stage to examine the normative, mimetic, and coercive influences—such as peer country behavior and the demands of multilateral lenders—that result in the cross-national diffusion of public policies. The central proposition is that countries that are more closely tied to each other in trade or information networks, or that inhabit structurally equivalent positions in the world system, face similar external pressures that lead them to behave in similar ways. Empirical evidence supporting this proposition has come from a variety of contexts, ranging from education reform (Meyer, Robinson, & Ramirez, 1977; Ramirez, Suarez, & Koo, 2009) to bankruptcy law reform (Carruthers, 2010).

In the context of nonmarket strategy, Henisz, Zelner, and Guillén (2005) examined the influences on a country's decision to adopt market-

oriented infrastructure reform policies between 1977 and 1999. They found that, in addition to the domestic political influences suggested by traditional political economy models, influential peer countries' prior adoption of such policies, together with the sanction of multilateral lenders such as the World Bank and the International Monetary Fund, significantly increased a country's probability of adopting such policies. This research complements the renegotiation study discussed above by illuminating aspects of a policy's political roots that—in combination with widely held cognitive constructs such as sentiment toward private enterprise—are likely to be associated with the policy's subsequent durability. More broadly, all the research discussed in this section promises to assist managers in discerning oncoming waves of policy change and the likely course of implementation, to better position their firms to take advantage of inflection points or, alternatively, safeguard their organizations against political risk.

Conclusions

As suggested in the introduction, we hope that scholars specializing in the subfields of mainstream strategy with the most direct nonmarket counterparts will leverage their conceptual skills to better integrate the two bodies of theory in a manner that lends itself to empirical research. Research efforts of this sort will grapple with problems such as:

- How can investors assess the relative costs and benefits of assuming a monopoly position when such a position could itself engender a sociopolitical backlash over the distribution of rents, threatening the position's stability?
- To what extent should a firm sacrifice short-term rents to secure an advantageous long-term position?
- At what point in a wave of international policy reform should an incumbent firm change its strategic orientation from defending an advantageous position to laying the groundwork for success in a post-reform policy regime?
- How much should a firm invest in political and social capital to promote a stable nonmarket

environment? How should such a firm govern a stakeholder coalition that it assembles for this purpose to recoup its initial investment?

- To what extent can concepts and constructs associated with the governance perspective on strategy (Williamson, 1999), which emerged after Barney developed his original framework, assist in addressing the last question—with the added complication that governance of political coalitions and advocacy groups hinges less on legal ownership and control rights than it does on looser political and social affiliations associated with identity and perceptions of fairness (Boutilier, 2009, 2011, 2012; Henisz, Levitt, & Scott, 2012)? Columns 4 and 8 in Table 1 (above) incorporate the governance perspective into the organizing framework laid out above.

Nonmarket strategy scholars have not yet made sufficient inroads into the market domain that they alone can answer such fundamental questions. Mainstream strategy scholars, we believe, are well positioned to join forces with them.

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