

Cronyism from the Perspective of the Firm: A Cross-National Assessment of Nonmarket Strategy

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Abstract

Nonmarket strategy (NMS) refers to any part of a firm's strategy that seeks to generate superior performance through means *not* directly associated with market activity. This paper investigates links among environmental uncertainty, strategic capabilities, competitive (market) strategy, NMS, and organizational performance in China, Ghana, Turkey, and the United States. Findings suggest that firms in relatively weak competitive positions are more likely to emphasize NMS. In China, Ghana, and Turkey, composite models suggest that competitive uncertainty drives NMS, but that only competitive strategies—not NMS—drive performance. In the United States, NMS appears to be driven by both competitive and technological uncertainties, while also driving performance. Unlike their counterparts in China, Ghana, and Turkey, American firms appear to emphasize NMS as a response to environmental uncertainty and engender stronger performance as a result.

JEL Codes: D2, L1, L2

Keywords: nonmarket strategy, NMS, strategic political emphasis, corporate political analysis, cronyism, competitive strategy, uncertainty, strategic capabilities

I. Introduction

The strategic management field evolved from industrial organization (IO) economics decades ago as scholars began to focus on firm efforts to develop and sustain competitive advantage. Nonmarket concerns have always existed, but in past decades were considered peripheral to market-oriented strategic action (Bach and Allen 2010; Baron 1995; Mellahi et al. 2016; Wei et al. 2016). Today, with the heightened emphasis on corporate social responsibility (CSR) and the continued erosion of free enterprise in the West, nonmarket considerations have assumed greater prominence.

Nonmarket strategy (NMS) refers to any part of a firm's strategy that seeks to generate superior performance through means *not* directly associated with market activity, such as lobbying legislators, colluding with rivals to erect industry entry barriers, and pursuing direct business-government partnerships. NMS has many surrogates within the management domain and has been portrayed by some scholars as a positive extension of corporate social responsibility (CSR) (Scherer and Palazzo 2011; Scherer, Palazzo, and Baumann 2006). While others call it corruption or cronyism (Adly 2009; *Economist* 2016; Unsal, Hassan, and Zirek 2016), evidence suggests that emphasis on NMS can enhance firm performance in some instances (Mellahi et al. 2016).

This paper reports on a cross-national study that investigates links among competitive (market) strategy, NMS, environmental uncertainty, strategic capabilities, and organizational performance. Evaluating results from a diverse set of nations—China, Ghana, Turkey, and the United States—provides insight into contextual factors that influence NMS.

II. Nonmarket Strategy

NMS is a multifaceted construct. Within the economics tradition, analysis of NMS is rooted in the public choice perspective, whereby firms pursue transactions with government entities to benefit both parties (Bonardi, Hillman, and Keim 2005; Bonardi, Holburn, and Vanden Bergh 2006b; Wood and Frynas 2006). Within the management tradition, NMS is in part embedded in the behavioral theory of the firm (Ji-Yub, Jerayr, and Finkelstein 2011; Liu et al. 2014; Cyert and March 1963), which assumes that firms engage in behavior that expands their resource/cognitive scope. When a firm is unable to attain an aspirational level of performance, its managers have a stronger incentive to engage in risky behavior. To the extent that NMS is viewed negatively as corruption and cronyism, one might expect managers in poorly performing firms to emphasize NMS more than their counterparts in higher performing firms.

Market strategy (MS) acknowledges both industry and firm influences on performance and is concerned with customers, competitors, suppliers, and other entities that influence competitive advantage through strategic orientations such as cost leadership and differentiation (Cadogan et al. 2002; van Raaij and Stoelhorst 2008). NMS focuses on factors such as lobbying, government collaboration, and industry influence (Baysinger 1984; Keillor, Wilkinson, and

Owens 2005; Lawton, McGuire, and Rajwani 2013; Baines and Viney 2010). It seeks to minimize the effects of government regulation through lobbying, campaign contributions, and direct collaboration with government actors (Delmas and Montes-Sancho 2010; Lawton, McGuire, and Rajwani 2013; Okhmatovskiy 2010). Hence, NMS can be considered an organizational alternative to MS. Put another way, firms can pursue superior financial performance by *either* NMS *or* MS, or through some combination of the two.

NMS has always been an important topic for firms operating in less developed and socialist nations fraught with corruption, but it is also a growing concern in developed nations where market economies coexist with substantial government intervention and extensive regulatory regimes. With the growth of emerging economies and an increased emphasis on government-business partnerships in many developed nations, NMS—traditionally viewed as a standalone activity—is now seen by many as a complement to MS (Doh, Lawton, and Rajwani 2012; Henisz and Zelner 2012; Kingsley, Bergh, and Bonardi 2012; Sawant 2012; Meyer and Peng 2016; Brito-Bigott et al. 2008). Indeed, corruption can be viewed as part of an MS in emerging economies to the extent that firms engage in it to compete more effectively (Iriyama, Kishore, and Talukdar 2016). However, relatively little is known about why some organizations emphasize NMS more than others—especially in emerging economies—or how emphasis on NMS translates into firm performance (Parnell 2015).

Scholarly interest in NMS has considered several variants with distinct nomenclature, including strategic political management, strategic political emphasis, and corporate political activity (Oliver and Holzinger 2008; Hillman and Hitt 1999; Hillman, Keim, and Schuler 2004; Hillman and Zardkoohi 1999). Distinctions among these research streams are beyond the scope of this paper, but several competing perspectives regarding NMS can be identified.

First, NMS has been traditionally viewed as a necessary evil to defend firms against regulatory overreach; within this context, NMS is a budget line, not an activity directly linked to firm performance. Even detractors of NMS acknowledge the need for firms to craft a plan to defend the organization against the government intrusion often promoted by rivals (Parnell 2015; Woiceshyn 2011).

Second, NMS and MS have been couched as alternative approaches to superior firm performance. Within this perspective,

firms unable or unwilling to compete via market forces craft a nonmarket approach as an alternative (Parnell 2015; Adly 2009).

Third, NMS and MS can be viewed as complementary, with nonmarket considerations integrated into a single, overarching strategy. Advocates of this perspective often emphasize a stakeholder orientation, whereby decisions seek to satisfy all stakeholders instead of focusing primarily on shareholders (Bosse, Phillips, and Harrison 2009; Choi and Wang 2009; Harrison, Bosse, and Phillips 2010; Harrison and Wicks 2013). Proponents of this view argue that an NMS can support a profit orientation by helping the firm attain broader social objectives (Singer 2013), but detractors warn that desired outcomes vary across stakeholders, and conflicts between market and nonmarket orientations are inevitable, requiring strategic managers to make choices (Cavazos and Rutherford 2012; Baron 1995; Hadani, Dahan, and Doh 2015).

Finally, some see political involvement by firms not as a means of influencing a stout regulatory regime, but as a means of addressing a lack of oversight. As such, social and environmental problems such as worker exploitation and child labor, water depletion, and deforestation occur when governments are unwilling or unable to promote socially and environmentally responsible business conduct (Scherer and Palazzo 2011; Scherer, Palazzo, and Baumann 2006). As a result, consumers and interest groups encourage firms to collaborate with nongovernmental organizations (NGOs) and other parties to fill these regulatory apertures by engaging in political activity (Valente and Crane 2010). Political corporate social responsibility (PCSR) occurs when businesses seek to fill the regulatory void caused by insufficient social and environmental standards and norms (Wickert 2016).

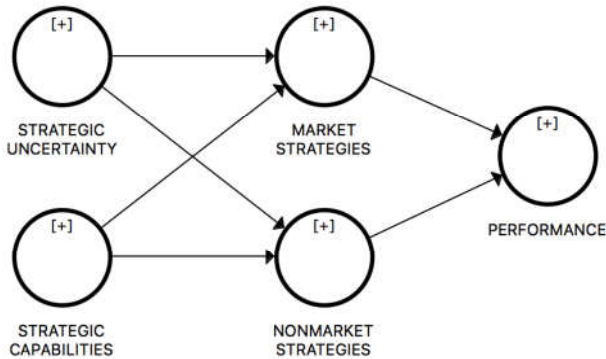
From the PCSR perspective, NMS broadens both strategy and performance to include social entities (McWilliams and Siegel 2000, 2001). CSR has been posited as a key building block of NMS inasmuch as both ostensibly seek to build trust between organizations and society and to influence public policy in a manner consistent with social values (Liedong et al. 2015; Mellahi et al. 2016; Scherer 2017; Scherer and Palazzo 2011; Schneider and Scherer 2016). This view is gaining acceptance in the field (Scherer et al. 2016; Scherer, Palazzo, and Matten 2014; den Hond et al. 2014; Matten and Crane 2005), but it is not without its critics (Liedong et al. 2015; Mellahi et al. 2016; Scherer 2017; Scherer and Palazzo 2011; Schneider and Scherer 2016). Moreover, executives today typically

couch NMS activity in CSR vernacular, possibly masking their real strategic intentions.

III. Propositions

This paper evaluates three propositions about NMS across China, Ghana, Turkey, and the United States (see figure 1). Each is discussed in kind.

Figure 1. Conceptual Model



A. Strategic Uncertainties as Drivers of Market and Nonmarket Strategies

Managers craft strategies in part to address uncertainty (Jauch and Kraft 1986; Sun, Hsu, and Hwang 2009). As such, the type and extent of strategic uncertainty can ultimately impact firm performance (Parnell et al. 2012; Swamidass and Newell 1987). Although market, competitive, technology, regulatory, and other forms of uncertainty have been examined as precursors to MS (Parnell, Long, and Lester 2015; Kingsley, Vanden Bergh, and Bonardi 2012; Sun, Hsu, and Hwang 2009), a link between perceived uncertainty and NMS has not been widely considered in the literature. In one study, however, managers whose US firms exhibited a greater strategic political emphasis also reported greater competitive and market uncertainty (Parnell 2015).

There is logical support for uncertainty as a key driver of both MS and NMS, especially in emerging economies (Bonardi, Holburn, and Vanden Bergh 2006a; Delios and Henisz 2003; Ghemawat 2008). Components of NMS are more pervasive in emerging economies that lack appropriate legal frameworks and infrastructures (Mantere, Pajunen, and Lamberg 2009; Barron 2010; Lailani Laynesa and Mitsuhashi 2013; Vázquez-Maguirre and Hartmann 2013; Holburn

and Vanden Bergh 2008; Peng 2003; Khanna, Palepu, and Sinha 2005). Hence, NMS can carry a neutral or even positive connotation in developed nations, and a negative connotation in emerging ones (Adly 2009; Calderón, Álvarez-arce, and Mayoral 2009), where activities such as competitive collusion, political lobbying, and direct negotiation with regulators are often legal, tolerated, or both (Cavazos and Rutherford 2012; Kingsley, Bergh, and Bonardi 2012; Rival 2012; Vázquez-Maguirre and Hartmann 2013; Parnell and Dent 2009; Parnell, Scott, and Angelopoulos 2013; Mantere, Pajunen, and Lamberg 2009).

Because strategic uncertainty can associate with poor performance, it may also promote emphasis on NMS as an alternative to market approaches (Parnell 2000; Parnell et al. 2012). Hence, high strategic uncertainty is posited as a broad driver of both market and nonmarket strategies.

B. Strategic Capabilities as Drivers of Market and Nonmarket Strategies

Strategic capabilities represent assortments of related knowledge and skills that enable organizations to leverage and coordinate resources effectively (Assudani 2008; Teece, Pisano, and Shuen 1997). Capabilities are linked to distinctive organizational competencies, and are ideally rare, immobile, and difficult to replicate (Berchicci, Dowell, and King 2012; Vogel and Güttel 2013; Peteraf, Di Stefano, and Verona 2013; Peng 2003). They can be key precursors and components of both MS and NMS (Baysinger 1984; Bonardi, Hillman, and Keim 2005; Bonardi, Holburn, and Vanden Bergh 2006a; Frynas, Mellahi, and Pigman 2006), although extant research has focused more on the former than the latter (Zajac and Shortell 1989; Porter 1981; Certo et al. 2006; Baron 1995). From an NMS perspective, capabilities are developed in ways that promote organizational goals that relate to legislation and agency enforcement (Aplin and Hegarty 1980; Holburn and Vanden Bergh 2008; Rival 2012; Capron and Chatain 2008; Oliver and Holzinger 2008).

The capabilities-NMS nexus can be examined from at least two perspectives. Strong, market-oriented firms are likely to emphasize market strategies instead of NMS, whereas those with weaker capabilities and market orientations may pursue NMS to compensate for their shortcomings. As such, managers reporting relatively low strategic capabilities have also reported greater emphasis on NMS (Parnell 2015). Alternatively, many scholars view market and nonmarket strategies as complementary and suggest that firms

develop capabilities to support an integrated strategic approach (Doh, Lawton, and Rajwani 2012; Henisz and Zelner 2012; Kingsley, Bergh, and Bonardi 2012; Sawant 2012; Meyer and Peng 2016). Following this logic, one might expect capabilities and NMS to be positively associated. Although both views suggest different directional associations, both logic and evidence infer a capabilities-NMS linkage.

C. Market and Nonmarket Strategies as Drivers of Performance

The MS-performance nexus has been evaluated extensively in the literature (Dess and Davis 1984; Parnell 1997; Yu et al. 2015; Blackmore and Nesbitt 2013). Research assessing the MS-performance nexus spans several decades, with early scholars linking generic strategies to performance, and recent work shifting to capabilities and other factors that drive strategy (Barney 1996; Barney, Ketchen, and Wright 2011). Although there are differences across industries, a variety of market strategies are typically found in developed nations, whereas broad cost-leadership strategies tend to be more common in less developed countries. Some cost leaders in emerging economies leverage scale to minimize costs and compete on price, but others are small, undercapitalized, and simply struggle to survive. However, the increased prevalence of cost leadership strategies in less developed nations does not mean that low cost businesses always outperform their counterparts. Businesses able to incorporate differentiation effectively can also perform well (Agyapong, Osei, and Akomea 2015).

Growing evidence shows that NMS can also drive firm performance (Doh, Lawton, and Rajwani 2012). Through associations and other collaborative means, firms at the industry level seek to influence product safety and environmental standards, labor regulations, and other facets of public policy (Vázquez-Maguirre and Hartmann 2013; Porter and Kramer 2002, 2006). Firms often act at the strategic group level to pursue their collective interests as well (Frynas, Mellahi, and Pigman 2006; Mahon, Heugens, and Lamertz 2004).

A recent literature review by Mellahi et al. (2016) found that 102 out of 163 studies evaluating a form of NMS and performance identified a positive link between the two. However, NMS can be assessed as a separate undertaking or as a plan of action designed to complement a firm's market strategy (Deng, Tian, and Abrar 2010). Both perspectives highlight the importance of a market orientation

(Wei et al. 2016). Hence, both primary market strategies—cost leadership and differentiation—and NMS are expected to drive firm performance.

IV. Methods

Previously validated scales were employed to measure the constructs. MS was measured within Porter's cost leadership differentiation framework with items developed by Nayyar (1993), while NMS was assessed with items included in the Deng, Tian, and Abrar (2010) taxonomy. Strategic uncertainties and capabilities were measured by scales developed and validated by Desarbo et al. (2005). Organizational performance was assessed with items gleaned from multiple sources (Harris and Mongiello 2001; Kaplan and Norton 1992, 1996, 2001, 2004; Laitinen 2004; Madanoglu, Okumus, and Avci 2014; Norreklit 2000; Phillips 1999; Phillips and Moutinho 1999; Venkatraman and Ramanujam 1986). Five-point Likert scales were utilized to measure each construct. SmartPLS (version 3) software was employed to assess the propositions (Hair, Sarstedt, Pieper, et al. 2012). Cohen's benchmarks of .02 (small), .15 (moderate), and .35 (large) were applied to denote effect sizes; effects below .02 were considered inconsequential.

A total of 555 practicing managers were surveyed in China, Ghana, Turkey, and the United States. In China, a convenience approach was employed in Beijing, Shanghai, and Shenzhen, cities with relatively open markets. In Ghana, a convenience sample canvassed managers in the industrial enclave of Tema, a heavy commercial and services center located near the nation's capital, Accra. In Turkey, a convenience sample was employed with organizations based in Ankara, the nation's capital and second largest city, and Izmir, the nation's third largest city and a growing business center. In the United States, the survey instrument was administered online through Survio to practicing managers.

Table 1 provides a demographic summary of the national samples. Supervisory and middle managers were included, as they are playing more substantial roles today in contemporary organizations in both strategy formulation and execution (Balogun and Johnson 2004; Raes et al. 2011).

Table 1. Nations and Demographics

| Variable | China (n=120) | Ghana (n=134) | Turkey (n=108) | USA (n=193) | Composite (n=555) |
|------------------------|------------------|------------------|-------------------|----------------|----------------------|
| Nation Overview (2017) | | | | | |
| Econ. Freedom Index | 57.4 | 56.2 | 65.2 | 75.1 | n/a |
| Per capita GDP | \$14,107 | \$4,266 | \$20,438 | \$55,805 | n/a |
| Gov. spending/GDP | 31.9% | 24.4% | 37.0% | 37.8% | n/a |
| Management Level | | | | | |
| Lower | 99 (82.5%) | 17 (12.7%) | 11 (10.2%) | 49 (29.4%) | 176 (31.7%) |
| Middle | 18 (15.0%) | 80 (59.7%) | 33 (30.6%) | 85 (44.0%) | 216 (38.9%) |
| Upper | 3 (2.5%) | 28 (20.9%) | 59 (54.6%) | 59 (30.6%) | 149 (26.8%) |
| Other/Not Provided | 0 (0.0%) | 9 (6.7%) | 5 (4.6%) | 0 (0.0%) | 14 (25.2%) |
| Functional Background | | | | | |
| Accounting/Finance | 16 (24.7%) | 49 (36.6%) | 11 (10.2%) | 30 (15.5%) | 106 (19.1%) |
| General Mgt./HR | 36 (35.3%) | 26 (18.4%) | 12 (11.1%) | 70 (36.3%) | 144 (11.5%) |
| Law | 2 (1.7%) | 0 (0.0%) | 43 (39.8%) | 4 (2.1%) | 49 (8.5%) |
| Marketing/Sales | 26 (21.7%) | 34 (25.4%) | 31 (28.7%) | 25 (13.0%) | 116 (20.9%) |
| Production/Engineer | 25 (20.8%) | 12 (9.0%) | 4 (3.7%) | 46 (23.8%) | 87 (15.7%) |
| Other/Not Provided | 15 (12.5%) | 13 (9.7%) | 7 (6.5%) | 18 (9.3%) | 53 (9.5%) |
| Gender | | | | | |
| Male | 66 (55.0%) | 84 (62.7%) | 75 (69.4%) | 101 (53.3%) | 326 (57.8%) |
| Female | 53 (44.2%) | 43 (32.1%) | 27 (25.0%) | 92 (47.7%) | 215 (37.8%) |
| Other/Not Provided | 1 (0.8%) | 7 (5.2%) | 6 (5.6%) | 0 (0.0%) | 14 (25.2%) |
| Industry | | | | | |
| Manufacturing | 40 (33.3%) | 40 (29.9%) | 23 (21.3%) | 66 (34.2%) | 169 (30.5%) |
| Services | 69 (57.5%) | 83 (61.9%) | 46 (42.6%) | 124 (64.2%) | 322 (58.0%) |
| Other | 11 (9.2%) | 11 (8.2%) | 39 (36.1%) | 3 (1.6%) | 64 (17.5%) |
| Firm Size (employees) | | | | | |
| Micro (1–10) | 3 (2.5%) | 20 (14.9%) | 57 (52.8%) | 10 (5.2%) | 90 (16.2%) |
| Small (11–50) | 25 (20.8%) | 55 (41.0%) | 22 (20.4%) | 35 (18.1%) | 137 (24.7%) |
| Medium (51–250) | 33 (27.5%) | 27 (20.1%) | 13 (12.0%) | 69 (35.8%) | 142 (25.6%) |
| Large (251+) | 59 (49.2%) | 30 (22.4%) | 10 (9.3%) | 79 (40.9%) | 178 (32.1%) |
| Other/Not Provided | 0 (0.0%) | 2 (1.5%) | 6 (5.6%) | 0 (0.0%) | 8 (1.4%) |

V. Findings

The capability and uncertainty scales were assessed for reliability on national and composite bases. All six of the original items for each capability scale were retained, but the competitive environment uncertainty and technology uncertainty scales were reduced to four items each to eliminate items with poor loadings in one of the countries. Coefficient alphas exceeded .600 and composite reliability measures exceeded .700 for each scale. Alphas and items are summarized in tables 2–3. Table 4 provides R^2 values for each model

tested. Organization size was included in all models as a control variable.

Table 2. Survey Items: Uncertainty, Strategy, and Performance

Uncertainty: Competition ($\alpha=.613$; Composite reliability=.773)

| | |
|---------|---|
| UNC_CE1 | Competition in our industry is cutthroat. |
| UNC_CE2 | There are many “promotion wars” in our industry. |
| UNC_CE5 | One hears of a new competitive move almost every day. |
| UNC_CE6 | Our competitors are relatively weak. ® |

Uncertainty: Technology ($\alpha=.763$; Composite reliability=.848)

| | |
|-----------|--|
| UNC_TECH1 | The technology in our industry is changing rapidly. |
| UNC_TECH2 | Technological changes provide big opportunities in our industry. |
| UNC_TECH4 | A large number of new product ideas have been made possible through technological breakthroughs in our industry. |
| UNC_TECH6 | The technological changes in our industry are frequent. |

Strategy: Cost Leadership ($\alpha=.718$; Composite reliability=.825)

| | |
|-------|--|
| Cost1 | Pricing below competitors |
| Cost2 | Managing raw materials cost and availability |
| Cost3 | Process improvements and innovation |
| Cost4 | Product cost reduction |

Strategy: Differentiation ($\alpha=.729$; Composite reliability=.831)

| | |
|---------|--|
| Differ1 | Extensive customer/consumer service |
| Differ2 | Building/maintaining the firm’s reputation |
| Differ3 | Premium product quality |
| Differ4 | Highly skilled production personnel |

Nonmarket Strategy ($\alpha=.855$; Composite reliability=.902)

| | |
|------|---|
| NMS1 | Lobbying government officials for legislation favorable to the organization |
| NMS2 | Contributing to politicians, candidates or political action committees that advance our interests |
| NMS3 | Working with government entities to create entry barriers for potential competitors |
| NMS4 | Working with industry groups to campaign for public/government support favorable to our firm |

Performance Satisfaction ($\alpha=.822$; Composite reliability=.875)

| | |
|----------|--------------------------------------|
| Perform1 | Competitive position |
| Perform2 | Market share |
| Perform3 | Overall firm performance and success |
| Perform4 | Sales growth |
| Perform5 | Return on equity |

Table 3. Survey Items: Strategic CapabilitiesManagement Capability ($\alpha=.838$; Composite reliability=.875)

| | |
|----------|---|
| CAP_MGT1 | Integrated logistics systems |
| CAP_MGT2 | Cost control capabilities |
| CAP_MGT3 | Financial management skills |
| CAP_MGT4 | Human resource management capabilities |
| CAP_MGT5 | Accuracy of profitability and revenue forecasting |
| CAP_MGT6 | Marketing planning process |

Market Linking Capability ($\alpha=.759$; Composite reliability=.831)

| | |
|-----------|--|
| CAP_LINK1 | Market sensing capabilities |
| CAP_LINK2 | Customer linking |
| CAP_LINK3 | Ability to create durable relationships with suppliers |
| CAP_LINK4 | Ability to retain customers |
| CAP_LINK5 | Channel-bonding capabilities |
| CAP_LINK6 | Relationships with channel members |

Marketing Capability ($\alpha=.791$; Composite reliability=.849)

| | |
|----------|---------------------------------------|
| CAP_MKT1 | Knowledge of customers |
| CAP_MKT2 | Knowledge of competitors |
| CAP_MKT3 | Integration of marketing activities |
| CAP_MKT4 | Skill to segment and target markets |
| CAP_MKT5 | Effectiveness of pricing programs |
| CAP_MKT6 | Effectiveness of advertising programs |

Technology Capability ($\alpha=.820$; Composite reliability=.869)

| | |
|-----------|--|
| CAP_TECH1 | New product development capabilities |
| CAP_TECH2 | Manufacturing processes |
| CAP_TECH3 | Technology development capabilities |
| CAP_TECH4 | Ability to predict technological changes in the industry |
| CAP_TECH5 | Production facilities |
| CAP_TECH6 | Quality control skills |

Table 4. R² Coefficients for Nation-Specific Models

| Dependent Variable | China | Ghana | Turkey | USA |
|--------------------|-------|-------|--------|------|
| Cost Leadership | .222 | .166 | .240 | .368 |
| Differentiation | .171 | .248 | .178 | .381 |
| NMS | .256 | .176 | .172 | .342 |
| Performance | .238 | .238 | .239 | .417 |

A composite model was developed to test propositions in each country. An original, saturated model included all linkages with small, moderate, or large effects (i.e., $f^2 \geq .02$). Uncertainty and capability linkages with inconsequential effects (i.e., $f^2 < .02$) were removed one at a time, and the model was retested until all remaining links warranted inclusion. The final models appear in figures 2–5. R² values are provided for each construct and path coefficients are provided for each link. Standardized root mean square residuals (SRMR) were

.106, .104, .092, and .097 for the China, Ghana, Turkey, and United States models, respectively. These values are close to the conservative threshold of .080 (Hu and Bentler 1999) and within the realm of acceptability with PLS-SEM (West, Taylor, and Wu 2012; Hair, Sarstedt, Ringle, et al. 2012).

Figure 2. Composite Model for China

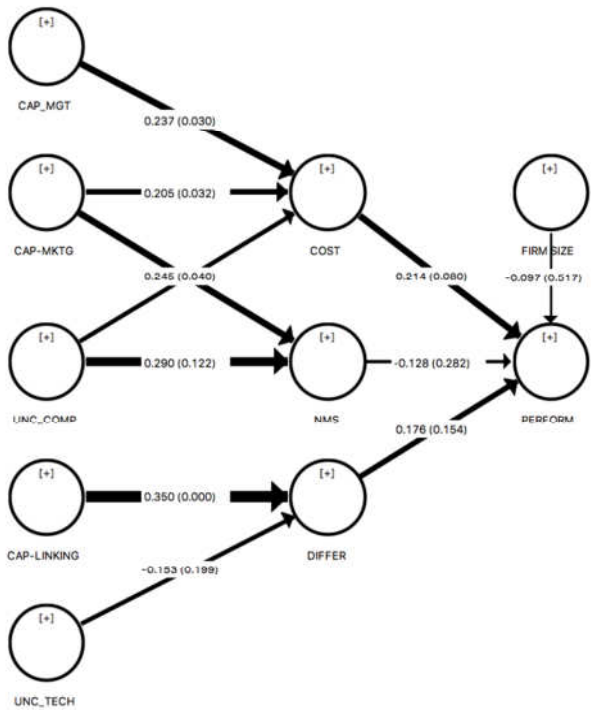


Figure 3. Composite Model for Ghana

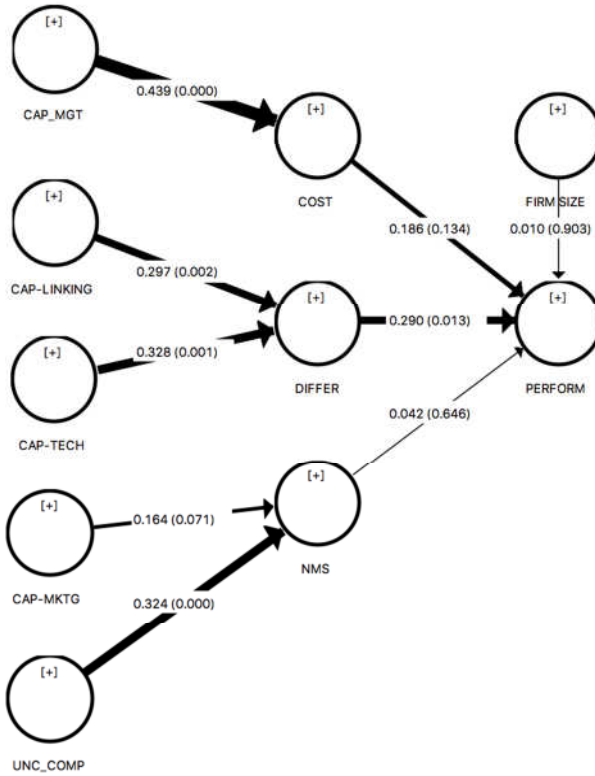


Figure 4. Composite Model for Turkey

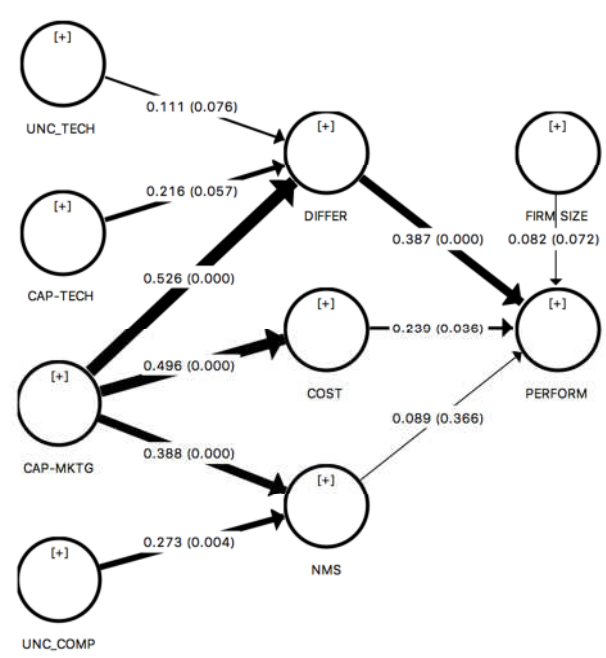
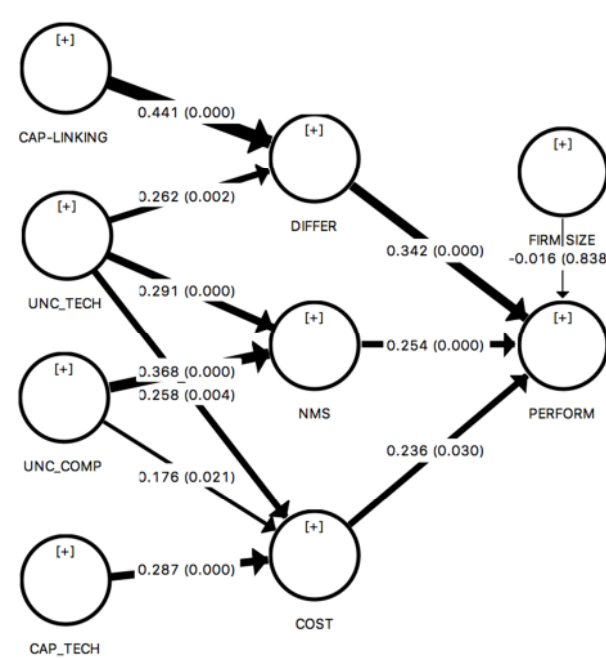


Figure 5. Composite Model for the United States



Results varied across nations. Concerning P1, uncertainty about competition was a significant driver of cost leadership in China, but was a driver of NMS in Ghana, Turkey, and the United States. Uncertainty about technology was a driver of all three strategies in the United States. Concerning P2, marketing capability was a significant driver of cost leadership, differentiation, and NMS in Turkey, but was insignificant in the other nations. Management capability was a significant driver of cost leadership in China and Ghana. Market linking capability was a significant driver of differentiation in China, Ghana, and the United States. Technology capability was a significant driver of differentiation in Ghana, but of cost leadership in the United States.

Concerning P3, none of the strategy-performance linkages was significant at the .05 level in China, although the cost leadership link was significant at the .10 level. Differentiation was a significant driver of performance in Ghana. Cost leadership and differentiation were significant drivers of performance in Turkey. All three strategy-performance links were significant in the United States.

VI. Discussion

Three general findings warrant discussion. First, the positive association between emphasis on traditional market strategies—cost leadership and differentiation—and performance in the United States reinforces several decades of scholarship (Dess and Davis 1984; Gopalakrishna and Subramanian 2001; Murray 1988). The NMS-performance nexus found in the United States highlights a growing body of work in the field as well (Mellahi et al. 2016). Its lack of significance in other nations is noteworthy.

Second, managers reporting uncertainty about competition and technology placed greater emphasis on NMS in multiple instances, either in lieu of MS or in addition to it. Put another way, emphasis on NMS appears to be, in part, a response to environmental uncertainty. Managers who do not understand technology or their rivals may turn to NMS (rather than MS) as an alternative means of pursuing firm performance.

Third, varied links exist between capabilities and strategies. For example, marketing capability was a small but substantial driver of cost leadership, differentiation, and NMS in Turkey, but was largely inconsequential in the United States. Market-linking capability was a significant driver of differentiation in all four nations, but had no effect on cost leadership or NMS. Strategies require choices, and the

capabilities appropriate for one market or nonmarket strategy may not be essential to other strategies (Berchicci, Dowell, and King 2012; Parnell 2011; Theodosiou, Kehagias, and Katsikea 2012; Wu et al. 2012). In general, the capabilities that support cost leadership and differentiation strategies appear to vary across nations.

The composite models presented in figures 2–5 provide insight into nation-specific phenomena as well. In China, marketing capability drove cost leadership and NMS, but not differentiation. This apparent low cost-NMS alignment suggests that cost-dependent firms tend to rely more on NMS than do their more innovative counterparts. However, only market strategies—cost leadership and differentiation—were drivers of performance. The link between NMS and performance was negative, but did not reach the threshold for significance.

Given China's emphasis on low-cost manufacturing and its status as an emerging economy, it is not surprising that Chinese cost leaders are better able than their differentiated counterparts to leverage NMS. The intricacies of China's "state capitalism" are well documented, including the prevalence of state-owned enterprises (SOEs), subsidies for select firms and industries, control over currency valuation, and the role of *guanxi* (Mai, Xiong, and He 2015, Deng, Tian, and Abrar 2010). The fact that MS also drove firm performance but NMS did not suggests that nonmarket orientation is a necessary but insufficient precondition for strong performance.

Similar NMS linkages were found in Turkey, where competitive uncertainty and marketing capabilities were drivers of NMS, but the NMS-performance link was inconsequential. A similar pattern was found in Ghana, but the marketing capability-NMS link was only significant at the .10 level. Different capabilities were associated with different competitive strategies in Ghana, while marketing capabilities in Turkey drove both competitive strategies, which, in turn, were positively associated with performance.

The links among marketing capabilities, competitive uncertainty, and emphasis on NMS common to the three emerging economies are intriguing. One possible explanation is that developmental limitations (e.g., infrastructure, intellectual property rights, consumer purchasing power, government corruption, etc.) make it more attractive for firms whose managers do not understand the competitive environment to shift attention away from MS and toward NMS (Khanna, Palepu, and Sinha 2005). Interestingly, increased nonmarket orientation is not rewarded with greater performance.

The competitive uncertainty-NMS link was present in the United States as well, but the composite model was markedly different. Technology uncertainty also drove NMS, but capabilities were associated only with market strategies. Both market strategies and NMS were positively associated with performance. Hence, in the only developed nation assessed herein, environmental uncertainties, not capabilities, were the key determinants of NMS—which, in turn, drove performance.

NMS in the United States appears to reflect a response to broad environmental uncertainty and is rewarded by its positive impact on firm performance. The fact that emphasis on NMS in the United States was associated with technological and competitive uncertainties but not capabilities suggests that weaker firms may be attracted to a nonmarket orientation. Moreover, firms that emphasize NMS may be less likely to develop the strategic capabilities necessary to execute a market strategy successfully, thereby creating a self-perpetuating cycle. Contrary to conventional wisdom concerning the necessity and prevalence of NMS in emerging economies (Iriyama, Kishore, and Talukdar 2016), a nonmarket orientation may be more rewarding in the United States than in China, Ghana, and Turkey.

Findings were also evaluated vis-à-vis economic freedom scores, per capita gross domestic product (GDP), and government spending as a percentage of GDP (see table 1) (Heritage Foundation 2017). The United States scored highest on all three measures, followed by Turkey, China, and Ghana. Although it is difficult to generalize, it is noteworthy that the performance impact of NMS was significant where economic freedom is greatest. Moreover, one might expect NMS to yield a greater return when government is more active in the economy. Among the four nations, government spending as a percentage of GDP was the greatest in Turkey (37.0 percent) and the United States (37.8 percent). Despite the similar levels of government influence in these economies, NMS was a substantial driver of performance only in the United States.

VII. Conclusions and Future Directions

The findings presented herein evaluate links among strategic uncertainty, strategic capabilities, market strategy, NMS, and organizational performance in China, Ghana, Turkey, and the United States. Composite models for the three less-developed economies suggest that competitive uncertainty drives NMS, but that only competitive strategies—cost leadership and differentiation—drive

performance. In the United States, however, NMS was associated with both competitive and technology uncertainties, and it drove firm performance as well. American firms appear to emphasize NMS as a response to uncertainty and enhance firm performance as a result.

The proliferation of NMS has widespread implications for organizations, governments, and human flourishing. Indeed, some scholars and select empirical findings suggest that MS and NMS are not mutually exclusive, but are complementary paths to performance (Doh, Lawton, and Rajwani 2012; Henisz and Zelner 2012; Kingsley, Bergh, and Bonardi 2012; Sawant 2012; Meyer and Peng 2016). Nonetheless, NMS provides firms with an alternative route to success as well, one that is not necessarily associated with producing better products and services or with doing so more efficiently. Most business schools are focusing more on nonmarket factors under the guise of stakeholder management, social entrepreneurship, CSR, and related concepts. Politicians have become more critical of free markets while promoting the alleged benefits of business-government partnerships. In many societies, the trust in private enterprises as both moral entities and as the best providers of goods and services has also declined.

Two limitations of the analysis presented herein should be acknowledged. First, the national samples include managers in multiple industries. Although their responses can be evaluated vis-à-vis their rivals, this design does not permit the assessment of prospective industry influences. Lower and mid-level managers have become more knowledgeable about their firms' competitive strategies, but their understanding of nonmarket activities may not be as extensive. Moreover, while sample size in each nation was acceptable for analysis, larger samples could have resulted in more significant linkages.

Second, self-typing scales were employed to assess performance (Ramanujam and Venkatraman 1987; Venkatraman and Ramanujam 1986). Objective measures are frequently—but not always—used, but subjective measures provide additional insight on competitive position, especially in cross-industry studies. Utilizing different performance measures can substantially alter results in strategy-performance studies (Ayadi, Dufrene, and Chatterjee 1998; Parnell, O'Regan, and Ghobadian 2006; Venkatraman and Ramanujam 1986).

Several future research directions have been identified. First, this study did not assess different types of NMS. Much is known about links between specific market strategies and performance, but

considerably less is known about the effectiveness of specific nonmarket approaches. Hence, different forms of NMS, such as CSR and direct lobbying, are likely to have different influences on firm performance.

In a similar vein, the notion of PCSR as an NMS is worthy of additional investigation. CSR has a positive connotation among most scholars and ostensibly seeks to promote societal and governmental goodwill (Liedong et al. 2015; Mellahi et al. 2016), but its prospective integration into NMS is debatable (Scherer et al. 2016; Scherer, Palazzo, and Matten 2014; den Hond et al. 2014, Matten and Crane 2005).

Second, if and whether the NMS should be viewed as part of the firm's market strategy remains unclear. While many scholars have promoted this logic (dos Reis, Meyer, and Meyer 2012; Henisz and Zelner 2012; Kingsley, Bergh, and Bonardi 2012; Sawant 2012; Sun, Mellahi, and Wright 2012; Singer 2013; Baron 1995), there are substantial distinctions between the two positions (Vázquez-Maguirre and Hartmann 2013; Porter and Kramer 2002, 2006). Viewing NMS as an integral part of a firm's MS can create stakeholder conflict, in that the success of an NMS is heavily dependent on governmental and other nonmarket actors (Bach and Allen 2010; Henisz and Zelner 2012; Lux, Crook, and Woehr 2011; Rui 2010).

Alternatively, MS and NMS represent distinct paths to firm performance (Bach and Allen 2010; dos Reis, Meyer, and Meyer 2012; Henisz and Zelner 2012; Lux, Crook, and Woehr 2011; Cavazos and Rutherford 2012). Indeed, nonmarket factors such as the firm's social orientation and ecological approach influence the success of market strategies. Promoting NMS *instead* of a market strategy employs resources, capabilities, and a focus on nonmarket factors rather than on customers, competitors, and other market-related factors.

Third, the long-term link between NMS and performance remains tenuous. From an agency perspective, managers have incentives to craft market and nonmarket strategies that produce immediate results. Managing nonmarket factors is a complex undertaking, especially given the difficulty of predicting political shifts. Integrating MS and NMS into a broad approach that includes CSR could be viewed as a possible resolution (Henisz 2011; Tang, Hull, and Rothenberg 2012). Indeed, many consumers blame profit-seeking firms for societal ills and endorse CSR as part of the solution (Porter and Kramer 2011).

Finally, while NMS appears to drive *firm* performance in the United States, the collective effect of a broad, heightened NMS emphasis on *society* remains unclear. It could be viewed as positive because it invokes social and governmental concerns, or as negative because it shifts resources from market to nonmarket considerations. Addressing this conundrum requires integrated organizational, economic, and social perspectives (Baron and Diermeier 2007; Leroux and Goerdel 2009; Oliver and Holzinger 2008; Ozer 2010; Sun, Mellahi, and Wright 2012; Vaara and Durand 2012).

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