Building International CSR on Solid Foundations: Location and Network Aspects of Nonmarket Environments in Europe and Non-Europe Markets

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Abstract:

Multinational companies' (MNCs) corporate social responsibility (CSR) programs frequently comprise a portfolio of disconnected country-level programs or, alternatively, consist of blanket corporate policies that apply in the same way across the geographies where the company operates. Yet, the international nonmarket environment in which CSR programs operate is neither a completely fragmented nor a perfectly homogeneous one.

Building on the concept of stakeholder-issue-networks, we develop a model that explicitly takes into consideration the role of geography in the characterization of a firm's nonmarket environment. This allows us to develop a taxonomy of nonmarket environments on the basis of their geographic spread and their degree of cross-border connectedness. We then explore the strategic and organizational implications that different ideal types of (cross-border) nonmarket environments have for the development of international CSR policies.

Keywords: Corporate social responsibility; nonmarket environment; issue networks; social strategy; stakeholder theory, strategic issue management;

Introduction

In 2003, an international consortium of companies led by BP, the British oil company, began construction of a 1078 mile pipeline that would carry oil from the Caspian Sea to the Mediterranean city of Ceyhan. The so called Baku-Tbilisi-Ceyhan (BTC) pipeline would cross the borders of Azerbaijan, Georgia and Turkey. To make this project a reality, BP and its partners not only had to garner the support of all three national governments but also that of thousands of city councils, farmers associations and individual landowners, and a multitude of environmental, human rights and economic development nongovernment organizations (NGOs) from each one of the countries. The magnitude of the project also attracted the attention of foreign NGOs, large and small, that adopted a variety of stances vis-à-vis the project. Some of them, such as The Corner House, Platform, or Friends of the Earth UK frontally opposed the construction of the pipeline. Under the umbrella of the Baku Ceyhan Campaign and in conjunction with some local NGOs, they carried out a protracted advocacy campaign against BP both along the route of the pipeline and in a variety of developed countries including the UK, US, and Western and Central Europe. Other local and international NGOs, by contrast, assumed the role of monitoring agents. As such, they gave faith of the progress –or lack of it- of the environmental, health, education and economic development programs that BP had agreed to undertake along the pipeline as part of the package of conditions negotiated with the national governments. Finally, a third contingent of domestic and international NGOs, including Mercy Corps, Care International and Save the Children, were hired by the consortium to design and implement the above mentioned social programs.

While the BTC pipeline was of capital importance to BP, it was only one of a variety of strategic projects in which the company was involved at the time. Interestingly, BP and some of the NGOs involved in the BTC project also interacted in the context of other projects of the company. However, whether the relationship established between BP and a these NGOs was a confrontational or collaborative varied from issue to issue. For example, WWF, the environmental NGO, was critical of BP with regards the BTC project but collaborated closely with it in a natural gas project in Tangguh, Indonesia.

The example above is but one illustration of the increasingly complex nonmarket environment of MNCs in which (1) focal events span multiple countries, (2) state and non-state stakeholders are located in different regions in the world, (3) activists may decide to apply pressure on the firm in one country to change corporate behavior in another, (4) firms' counterparts adopt different roles depending on the issue at stake, and where (5) the most common form of coordination is through loose inter-organizational ties. As firms are increasingly expected to provide appropriate responses to the claims put forth by social actors (Margolis and Walsh 2001) this is a challenge that managers and corporations cannot afford to ignore or simply respond to on an ad-hoc basis.

Yet, despite the dramatic change in the nonmarket environment of MNCs in the last two decades (Prakash 2002), international nonmarket strategy remains firmly anchored in a vision of the world where the (almost) only relevant nonmarket actors are national governments, and where issues of social concern are either global in scope (for example: climate change or human rights) or local and neatly bound within country borders. Both extremes reflect disregard for the wide variation of institutional, cultural, economic and geographic contexts (Ghemawat 2003) in which the firm interacts with its stakeholders, and for the fact that stakeholders located in different countries increasingly engage in both collaborative activities with one another in order to increase the effectiveness of their claims against a company or group of companies (Keck and Sikkink 1998).

In this paper we seek to bring the role of location, both in terms of context variation and in terms of stakeholder cross-border interaction, to the forefront of nonmarket environment conceptualization. If, as a number of scholars have pointed out (Brammer and Pavelin 2006), the effectiveness of ICSR programs hinges on how well they respond (or fit) with the environment in which the firm operates, it follows that a proper characterization of the company's international nonmarket environment is an indispensable first step in the development of successful ICSR strategies.

In order to achieve this goal, we draw from and broaden the literatures on nonmarket strategy (Baron 1995) and on international corporate social responsibility (ICSR). More concretely, we take as starting point the concept of "strategic" CSR and explore how explicitly taking into account the role played by geography enhances our understanding of the functioning of a firm's nonmarket environment. The term "strategic CSR" was arguably coined by Baron (2001) to reflect that companies compete for socially responsible customers by explicitly linking their social contribution to product sales. Such strategies can be both proactive (exploiting CSR practices to gain competitive advantages) and defensive (preempting potentially damaging stakeholder pressures). McWilliams, Siegel, and Wright (2006) expanded on Baron's view and asserted that a company's social practices are integrated into its business and corporate-level strategies.

In our view, ICSR can be considered as one, and an often overlooked, dimension of an overall nonmarket strategy. Hence, the firm level behavior that we study in this paper includes not only CSR programs but also more conventional elements of nonmarket strategies (e.g. lobbying). Further, the nonmarket environment we consider incorporates social and political actors, as well as the interactions between the two. Hence, in this paper we refer to ICSR strategies as the nonmarket strategies addressed toward social and political actors (and their networks) that seek to position the firm as a positive social actor (or defend against characterizations as a negative social actor) for purposes of advancing the firm's strategic goals across national borders.

We begin by assessing the three main frameworks traditionally used to characterize the nonmarket environment of firms. We then advance the argument that location must also be fully incorporated into any model of ICSR in the context of nonmarket environments. Building on the historical and contemporary IB literature, we define location as a multidimensional construct and suggest that it bears on the development of ICSR in two important ways. First, by allowing firms (and their stakeholders) to leverage advantages from the specific geographic, cultural, political, and social dimensions of a given location, and second, by affording a platform for coordination and linkages with other units of a focal organization in different locations. Taking stock of the three nonmarket frameworks and the literature on location as it relates to transnational actor and policy networks, we then build a model of firm's international nonmarket environments based on the notion of stakeholder-issue-networks that explicitly recognizes and incorporates the locational aspects of an MNC's nonmarket environment. Using our conceptual framework, we propose a typology of *cross-border* nonmarket environments based upon their geographic spread and the density of cross-country ties among the firm's stakeholders. Finally, we explore the strategic and organizational implications that each ideal type of nonmarket environment has for the development of an ICSR strategy.

Three Approaches to Business-in-Society: Issues, Stakeholders, and Networks

Three main perspectives have dominated the debate in the Business and Society literature both at the analytical and the normative levels. The first one, the Strategic Issue Management school (Ansoff 1980), takes the concept of issue as the organizing principle of the relationships between firms and their nonmarket environment (NME). Issues are viewed as "gaps between stakeholder expectations and an organization's policies, performance, products or public commitments" (Buchholz 1988). Issue management, therefore, is the process by which firms close this gap between expectations and reality. This can be done by either changing the firm's behavior or by altering stakeholders' expectations and perceptions about the behavior of firms.

A second approach, Stakeholder Theory (Freeman 1984; Donaldson and Preston 1995), is rooted in the idea that firms must respond to the claims of a variety of stakeholders whose actions -or inactions- can affect firm performance. Defining "*who* is a stakeholder, and what is a stake?" has been one of the key concerns of scholars in this school of thought that has resulted in a "maddening variety [of ways in which] questions of stakeholder identification might be answered" (Mitchell, Agle et al. 1997).

A third perspective, much more recently developed, has applied a social-network approach to the study of a firm's nonmarket environment. Authors adopting this perspective (Rowley 1997; Mahon, Heugens et al. 2003), have focused not only on the *attributes* of the stakeholders but also on the *relationships* that a firm establishes with its stakeholders and the relationships that these stakeholders establish amongst themselves. Their main contribution has been to highlight that the structural position occupied by each actor in an organizational field may significantly influence its opportunities, constrains and behaviors (Wasserman and Galaskiewicz 1994). Table 1 below, an adaptation from Mahon, Heugens et al (2003) provides a stylized summary of these three perspectives.

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Although Baron (1996) highlights the 4 I's: issues, interests (stakeholders), institutions, and information and Freeman (1984) addresses actors as well as relations (nodes and linkages), much of the 'Business and Society' literature has tended to emphasize one of these perspectives over the others with the result that "to date, the field of non-market strategy has little to offer in the way of a truly integrated perspective [...] even though it is widely accepted that stakeholder behavior and issue evolution are delicately intertwined" (Mahon, Heugens et. al., (2003).

Other complicating realities that current models tend to overlook relate to the fact that one same firm may be involved in multiple issues at the same time (Mahon, Heugens et al. 2003), and that interaction between these issues may result in deviation from what would be the 'normal path' in the issue's life cycle (Bigelow, Fahey et al. 1991; Bigelow, Fahey et al. 1993). Similarly, it is a frequent occurrence that powerful secondary stakeholders are involved in several of the issues that a firm is trying to address at any one point in time, and that their stance with regards the behavior of the firm may vary on an issue by issue basis rather than supporting or opposing the actions of the firm across the board. While some authors, particularly of the network approach (Rowley 1997, Mahon, Heugens et al 2003, Easley and Lenox, 2006), have attempted to incorporate some of these real world complexities in their models, none that we know of fully captures the multiple interactions that occur between a focal firm, the multiple issues in which it is involved, and the various networks of stakeholders whose claims it needs to address.

When considering business-societal interactions in the global business environment, one final – and critical – shortcoming of current models resides on their scant attention to the role played by geography. Indeed, most theoretical and empirical work in this field tends to portray nonmarket actors as extremely local players. For example, Baron (1995) explicitly states that "global or international nonmarket strategy seems unlikely to be successful because strategies must take into account the institutions in whose context nonmarket issues are addressed, the configuration of interests in a country, and other country-specific actors". Other empirical studies assume this much by circumscribing their object of study to a particular country or area, or by simply ignoring the pressure exerted on the focal firm by actors located in a foreign country.

This relative indifference for the influence of location in the relation between firms and nonmarket actors that has characterized the business and society literature stands in stark contrast with work done in the field of international relations. Indeed, in the last decade a vast literature concerned with such issues as transnational advocacy networks (Dahan, Doh et al. 2006), global civil society (Yaziji and Doh 2009) or the differences between 'northern' and "southern" nonprofit organizations (Lindenberg and Dobel 1999) has developed. This body of work suggests that assuming away the role of geography is a gross oversimplification of the functioning of nonmarket environments, and that presuming that all relevant relationships between a firm and its stakeholders are neatly contained within the boundaries of a country is simply incorrect.

For these reasons, we suggest that effective ICSR strategies need to be grounded on a more nuanced and finely variegated characterization of a firm's nonmarket environment. A characterization that should integrate the main elements of the three approaches described above, and that, in addition, should situate location in the front and center of the ICSR strategy formulation process.

Location and Nonmarket Strategy in a Globalized World

The concept of location is central to international business activity, even as the world purportedly is becoming "flatter" (Friedman 2005). The role played by location in the development of a firm's international competitive advantage is one of the long standing concerns in the field of IB. At the risk of oversimplifying, this branch of the IB literature points at two main implications of location on firm competitiveness. First, firms may gain access to strategic resources by virtue of being born or located in a particular geographic area. Since access to these strategic resources is key to ensuring their international competitive advantage, identifying where these resources are located, gaining access to them, and leveraging them across country borders is one of the fundamental objectives of MNCs top managers. On occasion, it is not possible or cost effective for a firm to set up operations where a particularly valuable resource is located. In these situations, firms will try to gain indirect control of such resources by engaging in collaborative behaviors with organizations with established presence in that location that do have access to them. In sum, gaining control of strategic resources wherever they are located, whether directly or through joint ventures, and leveraging them across country borders is one of the fundamental elements of MNCs international strategy.

Central to this literature, and to our argument, is that location-based resources need to be conceptualized very broadly, including natural and human resources, cultural norms and values, relational capital, and legal and economic institutions. Although in his infamous OLI (Ownership, Location and Internalization) framework, Dunning (1977) defined location somewhat narrowly to refer to the physical attributes of a given place, he subsequently and increasingly broadened the conceptualization to include these intangible factors as the international business field turned its attention to the cultural, political, legal, and social dimensions of location and how they affect the suitability of a given location for a particular activity (Dunning 1998; Dunning 2009). Moreover, the emergence of "alliance capitalism" implies a more flexible and relational dimension of location, one that allows for "combinative capabilities" emerging from the integration of different locational attributes by alliance partners situated in different places (Dunning 1995).

Hence, in the context of this paper, location is conceived not only in geographic terms, as in a given combination of longitude and latitude on a map, but *also* as a particular configuration of cultural, economic and institutional arrangements (Ghemawat 2007) that bear a direct influence on the opportunities and constraints of inter-organizational life. In other words, location cannot be viewed as just one point in space, but as a spatial condition and a set of relationships that is imbued with a unique configuration of natural and man-made properties shaping the behavior and the opportunity set of the organizations located there, as well as its interactions with other like organizations in other locations.

In the opening example, BP was afforded privileged access to resources located in the UK as a result of its incorporation in that country and by being deeply embedded in its social, political and economic fabric. At the most basic level, these resources would include preferential access to natural resources in the North Sea, easy access to domestic and international capital markets, given London's preeminence as a financial center, or access to a large pool of highly educated professionals in some of the best professional and liberal arts colleges in the world. Equally important, though, are the strategic resources the company may derive from British institutions, including the protection granted by its regulatory framework, the financial and economic discipline required to operate in the UK, or the considerable sway that the British Department of Foreign Affairs enjoys around the world.

A second implication is that consideration of organizations in terms of their location implies a corollary of *distance*. That is, being 'pinned' to a particular place, determines how close or how far from resources associated with other locations a firm is. Here too, it is important that we think of distance between countries not only in terms of distance in spatial terms but also in terms of the cultural, economic and institutional differences between two places (Kostova and Roth 2002; Ghemawat 2007). In terms of organizational strategy, distance poses two related dilemmas for firms. First, while entering distant countries is more costly and risky than entering proximate ones (Zaheer 1995), it also allows firms to tap into a very different pool of resources than the ones available in their home markets, offering them the potential to strengthen their competitive advantage (Ghemawat 2003). Secondly, while operating in multiple locations increases tremendously the managerial complexity of the firm, it also renders the company more resilient to the potential shocks that the firm might experience in any one place. In the case of BP, operating in some 80-odd countries, allows the firm to tap into a broad variety of resources and to diversify its risk but at the price of having to manage the tensions that inevitably arise from operating in countries with different, and sometimes conflicting, laws, cultures, histories and geopolitical interests.

While the effect of location has been extensively studied in the context of the international market environment of firms, we argue that it is equally relevant when it comes to conceptualizing their nonmarket environment. More concretely, we propose that location plays a fundamental role in determining the nature of claims stakeholders place on firms, the ways these claims are framed, the strategies stakeholders are likely to employ, and the amount and types of resources that they are able to mobilize in the pursuit of their objectives. In terms of the example above, it is not irrelevant for BP that a considerable proportion of BTC-related stakeholders are powerful NGOs located in continental Europe, the US or the UK. Indeed, being headquartered in these locations grants these organizations access to unique resources that are not available to outsiders.

For example, in addition to having access to a broad pool of financial resources in the form of members or foundation money, these organizations can exert pressure on (or support for) BP's endeavors in the project by using their countries' legal systems, something foreign nationals might not do, or by directly lobbying the company's bankers and financers on their way to work. Importantly, just as companies do enter collaborative agreements when they cannot access resources located in foreign countries directly, stakeholders engage in cross-border collaborative agreements to leverage the local resources that each has access to in order to influence corporate behavior (Keck and Sikkink 1998). In the BTC case, activists opposed to the project created the 'Baku-Ceyhan Campaign' (http://www.baku.org.uk/), an international coalition of activist NGOs whose members exchanged information about the project, coordinated actions both along the BTC route and in their home countries, and served as a information hub for global audiences.

In addition to the anecdotal evidence provided by the BTC example, we find considerable support for our proposition in recent studies on north-south NGOs and on transnational networks of advocacy. These studies show the deep influence that location has on a broad variety of aspects of stakeholder behavior. Regarding the nature of claims, southern NGOs have been found to be primarily concerned about collective interests while northern NGOs focus more on individual human rights (Smith, Pagnuco et al. 1998; Harris-Curtis, Marleyn et al. 2005). Regarding preferred strategies, northern NGOs are seen as privileging domestic and international policy making, while southern NGOs are more likely to pursue their goals by means of grassroots pressure (Ahmad 2006). There is also an abundant body of work comparing 'rich' northern NGOs with 'poor' southern ones (Lindenberg and Dobel 1999) and the implications derived from such disparity to organizational behavior and outcomes.

As we consider these relational attributes of location, the contemporary actor network and transnational policy network literature is relevant in that it has demonstrated how activists are able to leverage their local capabilities and resources and integrate those with others to place pressure on corporations to engage in more socially responsible behavior (Keck and Sikkink 1998). Although transnational policy networks - *self-organizing groups that coordinate a growing number of public (decision-makers) and private (interest groups) actors for the purpose of formulating and implementing public policies (Konig 1998)* – were originally conceived as naturally involving governments, Heclo (1978) challenged this interpretation and offered an alternative – and increasingly realistic – notion , namely the "issue network" which still corresponds to a political subsystem but is much less stable that the prior conceptualizations in terms of membership and duration.

A related contemporary research stream has explored the emergence of "private" regulation, which encompasses voluntary commitment among various stakeholder, as an increasingly important mechanisms for disciplining corporate behavior around the globe. Recognizing that the relative influence of the state in the global economy is diminished with other actors – notably MNCs and NGOs assuming relatively greater roles – Cashore (2002) and others have explored the changing nature of global governance in light of the emergence of non-state market-driven (NSMD) regulations, often initiated by NGOs working in consort across borders, as alternatives or complements to traditional state-level regulation.

In sum, *'where'* a firm's stakeholders are located is of fundamental importance to ICSR strategies for two reasons. First, as a source of strategic resources, location matters because of its strong influence on what issues stakeholders care about, how they frame their claims, what means of engaging firms they deem legitimate and effective and, fundamentally, what kinds of resources and in what amounts they might be able to mobilize. Secondly, location in terms of 'distance between stakeholders ' matters because it reflects the potential they have to leverage locally-based resources across borders in pursuit of their goals. As a corollary, location-as-distance also matters to firms because it reflects the extent to which claims placed on the firm by different stakeholders are likely to be at odds with one another and, as a result, the extent to which customized or broad approaches to addressing those claims are more appropriate.

An Integrated Model of the International Nonmarket Environment

In order to integrate the three perspectives of business-societal relationships summarized above while fully recognizing and incorporating the role of location and relational connections across geographic space, the starting point of our model builds on the the concept of 'issue-network' (Heclo 1978; Sikkink 1993). More concretely, we define an issue-network as *the network of relationships between a focal firm and a collective of societal stakeholders, as well as the relationships that these same stakeholders weave among themselves in response to an issue directly involving the focal firm.* Since most firms are simultaneously involved in multiple stakeholder issues (Bigelow, Fahey et al. 1993), and ICSR operates within a broader nonmarket environment, we can then define a company's *nonmarket environment as the aggregation of issue-networks that the firm needs to address at any one point in time.*

Understanding the functioning and power of this model requires that we start by describing in some detail the main characteristics of its basic building blocks: issues, stakeholders, and relationships.

Issues. What constitutes an 'issue' is probably one of the most contested concepts in the business and society literature. For example, defines issues as "social problems [...] requiring managerial attention when they are defined as being problematic to society or to an institution within society" (Kingdon 1984). Ansoff (1980) , describes them as "forthcoming development[s]...likely to have an important impact on the ability of the enterprise to meet its objectives".

These commonly accepted definitions of 'issue' are problematic on two accounts. On the one hand, conceptualizing issues as social problems, developments or trends opens the door to defining an issue in terms that are too broad for meaningful managerial intervention –such as trying to address the issues of human rights or global warming. On the other extreme, issues might be defined at such a micro level that it might make coherent organization-wide responses unfeasible. A second limitation of the standard definitions above is that they portray issues as something inherently threatening for firms. This need not be the case. As an increasing number of instances of collaboration between firms and communities and NGOs show, the outcome of an issue may turn up to be beneficial for both sides. In order to sidestep both problems, we propose that issues are most effectively operationalized as concrete instances or events such as a project, a product, or a firm policy that generate gaps between the expectations of a number of stakeholders and the firm's behavior. Therefore, mapping the non-market environment of a firm requires that we start by identifying these focal points around which non-market action is likely to take place.

Stakeholders. The second element in our model are the firm's stakeholders. Following Freeman (1984) we define them as parties that can affect or be affected by the actions of a firm. Centrally for our model, not all stakeholders are interested, much less involved, in all of the issues the firm needs to address. The various collectives of stakeholders bound by a particular issue will be referred to in our model as "issue-networks". The concept of issue-network was developed and primarily employed in the political science (Heclo 1978) and public policy domains (Skok 1995). Issue networks have been defined as "individuals and groups with shared knowledge about some aspect of public policy" (Heclo 1978) or "a network of organizations that include NGOs, intergovernmental organizations and private foundations [...] driven by shared values or principled ideas" (Sikkink 1993). In sum, an issue-network is a set of organizations that share a common interest or concern regarding a specific issue.

As pointed by Rowley (1997), traditional stakeholder theory approaches are built on the principle that organizational attributes of stakeholders are the main factor determining their power and influence over firms or over other stakeholders. The most common stakeholder attributes used in empirical and theoretical work include the type of relationship they have with the focal firm (primary or secondary stakeholders), the size of the organizations, the human, financial and informational resources they can mobilize, their social capital, their reputation, their attitude (positive or negative) towards the focal firm, and whether they engage primarily in advocacy or service delivery, among very many others. Shockingly, one organizational attribute that rarely makes this list is the actual location of residence of the stakeholder.

While this oversight may be due in some cases to the empirical context of the study, we contend that 'where' a firm's stakeholders are located is a critical stakeholder attribute that needs to be added to the list above if we are to develop effective ICSR strategies. As explained in the previous section, the relevance of location stems from the fact that some of the most important sources of leverage of nonmarket actors over firms is tightly linked to their being embedded in the socio-political fabric of a particular locale.

Relationships. In social networks analysis, a tie reflects some kind of interdependence between the two nodes it links. As such, we can think of ties as reflecting a broad spectrum of relationships, ranging from sentiments of friendship or animosity, to exchanges of information or other resources, to involvement in a particular issue or arena.

As a number of authors in the network tradition described above have pointed out, it is necessary to go beyond the use of networks as metaphors (Smith 1980) and use them as analytical devices to inform action. In order to do so, it is imperative to tightly define the kind of relationship being measured, and to establish the presence or absence of such kind of tie between every potential pair of actors in the specific setting under consideration. Ideally, analysts should also strive to determine the directionality of the tie (unidirectional or reciprocal) and its strength.

For the purposes of this paper, we will determine that there is a tie between any two nodes (firm to stakeholder or stakeholder to stakeholder) if *"they engage directly* *with one another in regards to a particular issue generated by the focal firm"*. Note that this is a broad definition of relationship and that depending on the research question at hand it would be possible to raise the level of specificity and define the relationship in terms of, for example, "transfer of financial resources or information in connection with a specific issue", "organization of a demonstration to oppose the focal firm with regards a particular issue", or "development of part of a CSR project in collaboration with the focal firm to address a given problem".

The Complementary Role of Location. Having described the building blocks of our model, it is now necessary to explain how including locational considerations provides a more complete picture of cross-border nonmarket environments than existing conceptual models do. It does so in three ways. First, by explicitly specifying the stakeholder attribute 'place of origin' or 'place where it operates' we can assess the geographic concentration of the focal firm's stakeholders and produce a rough estimation of the location-bound resources available to them. In the BP example, observing the location of origin of the firm's stakeholders reveals a considerable spread across countries. While the vast majority are located in developing countries and have limited access to financial, human, or institutional resources, a much more limited number of secondary stakeholders from developed countries (among which are some developed country governments) have access to important sources of location bound resources that they can use to support or oppose the company's actions.

As a second step, we can overlay this stakeholder-level information with information on the issues each stakeholder is involved in. This would allow us to not only identify the geographic scope of a particular issue and the overall level of stakeholder involvement in each country but would also allow us to identify the degree to which stakeholders are involved in a single or in multiple issues. Following with the example above, thinking in terms of issue-networks, allows us to see the very different nature of the three issues that BP needs to address. On the one hand, the Alaskan pipeline project involves, almost exclusively, stakeholders located in the USA and Canada whose concerns are centered on the environmental impact that the construction of the proposed pipeline would entail for the Arctic flora and fauna.

By contrast, the Tangguh issue-network involves a mix of regional stakeholders as well as some NGOs based in the UK. In this case, in addition to making sure that BP's development of the giant gas field will not endanger the pristine natural environment on which it is located, the firm's stakeholders are centrally concerned with the impact that the project will have on the primitive economic make-up of the region. Finally, the BTC issue-network is the most complex of the three, in terms of the types of stakeholders involved, their geographic spread, and the nature of the issues at stake.

In contrast with the previous two issue-networks, the geostrategic importance of the Caspian Sea, where the oil feeding the pipeline is produced, and the volatile nature of the areas that the pipeline goes through, raises concerns in multiple areas, including environmental impact, economic development, respect for human rights, and the balance of power between some of the world's most powerful countries. In addition to better defining the nature of the claims and the strategic resources that the firm stakeholders can mobilize in the pursuit of their interests, thinking of BP's nonmarket environment in terms of issue-networks also allows us to identify the degree to which stakeholders overlap across issues. In this case, three nongovernment organizations based in the UK, The Corner House, Platform, and Friends of the Earth-UK, are involved in all three issue networks. As pointed by Mares and Rogers (2008), this is of relevance given that stakeholders involved in multiple issues might leverage their strong position with regards one issue to force firms make concessions in a different arena.

Our conceptual model allows for a third level of specificity by superimposing information about the relationships established among the firms' stakeholders on the issue-network map. Accounting for the relationships among stakeholders allows identification of not only the overall structure and density of the network and the centrality of specific players (as in Rowley 1997) but, importantly, may help us also identify how tightly linked stakeholders from different countries are. This type of information can also be used to identify stakeholders that bridge cross-border structural holes (Burt 1992). Irrespective of the resources over which these actors have direct control, their influence in mobilizing actors across borders and coordinating action against or in favor of the firm is likely to be of fundamental importance.

Returning again to the BP example, we can appreciate considerable differences in the structure of relationships between BP's Alaskan and BTC issue-networks. In the former, the company has to address the issues raised by pro-drilling activists represented by Arctic Power, a grassroots organization that aggregates the interests of various local industry associations, chambers of commerce, and local governments, as well as claims of a much more diffuse array of groups opposing the development of ANWR on environment concerns and respect of aboriginal people's rights. By contrast, the structure of relations in the BTC issue-network is characterized by a well-defined and coordinated resistance and a much more diffused local level support for the project. Tellingly, the main grassroots organizations opposing the project and organizing local and international level campaigns against BP are not located in any of the countries the pipeline crosses, but in its home country, the UK, where these organizations can use British institutions to challenge the actions of the company at home and abroad.

In sum, we suggest that in order to fully understand the complexity and uniqueness of a company's cross-border nonmarket environment, it is appropriate to combine the insights of existing models and explicitly consider the role location plays in relation to issues, stakeholders, and relationships and to incorporate the dynamic interactions among these variables across geographic space.

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International Nonmarket Environments: Strategic and Organizational Implications

Having developed our conceptual model, in this section of the paper we use it to provide some normative insights that could guide how MNCs effectively and efficiently deploy their resources in order manage their nonmarket environment. In line with strategy scholars (Powell 1992; Naman and Slevin 1993; Peteraf and Reed 2007), international business (Cavusgil and Zou 1994; Hultman, Robson et al. 2009), and stakeholder theory (Brammer and Pavelin 2006) traditions, we suggest that a firm's level of success will depend on the fit between the characteristics of its unique cross-border nonmarket environment and the firm's international nonmarket strategy. In other words, a company will thrive to the extent that it develops an appropriate response to the pressures of its environment.

As noted above, the role and importance of the state in international nonmarket strategy is widely documented; here we seek to build on the growing literature on the increasing role of NGOs (Yaziji and Doh 2009) within the issue network framework and how they influence and affect firms both directly and via their relationships with state actors (Doh and Teegen 2002).

Spread and connectedness of cross-border nonmarket environments. In assessing strategic fit, we start by drawing from standard IB logic by proposing that a firm's cross-border nonmarket environment be described along two dimensions: *its geographic spread and its cross-border connectedness*. Geographic spread evaluates the extent to which a firm's relevant nonmarket environment is concentrated in a few geographic areas or dispersed across many countries. It is important to emphasize here that by conceiving a firm's nonmarket environment in terms of stakeholder-issue-networks, its geographic spread may considerably differ from the firm's competitive or operational footprint. For example, if there is no gap between a firm's behavior and its stakeholders' expectations (i.e.: there is no 'issue') in a given country, the relevance of that location in nonmarket terms is extremely limited. By contrast, the geographic scope of a stakeholder-issue-network may very well expand beyond the specific countries where the company operates, as the BTC case exemplifies.

A firm's nonmarket geographic spread can be operationalized in a variety of ways using the framework defined above. A simple measure might involve merely counting the number of countries in which the firm has stakeholders. A more complex indicator might be the development of a Herfindhal-like index indicating the degree to which the nonmarket environment of a firm is highly concentrated or widely dispersed across countries. While our conceptual model allows for the development of a broad variety of indices, the appropriateness of one or another will, obviously, depend on the nature of the research question under consideration.

Consistent with the concept of location developed above, high levels of nonmarket geographic spread implies that a firm's stakeholders will have access to a broad variety, although not necessarily in large amounts, of resources. It also implies that the nature of the claims placed on the firm may be very diverse and potentially conflicting with one another. In both cases, the level of managerial complexity is likely to increase as the scope of a firm's nonmarket environment expands. On the positive side, a firm's exposure to multiple cultural, institutional, economic, and geographic nonmarket environments implies heightened opportunities for learning and innovation (Zahra, Ireland et al. 2000; Doz, Santos et al. 2002), and for the development of distinct nonmarket capabilities that the firm may leverage across countries.

In contrast with the concept of nonmarket geographic spread, a firm's degree of cross-border connectedness measures the extent to which a firm's issue networks span country borders. In other words, it evaluates whether the *relationships* of a firm's issue-networks link stakeholders located in different countries or if, by contrast, each issue-network is neatly circumscribed within the borders of a single country. In the BTC example, not only the company's stakeholders were spread among very many countries but they had also established a very peculiar pattern of cross-country relationships –with a few NGOs located in the UK acting as information hub, brokering resources, and coordinating advocacy campaigns both along the pipeline's route and in developed countries.

As with the previous construct, cross-border connectedness can be operationalized in a number of ways: from simply counting the number of cross-border relationships or calculating the density of cross-border ties of a firm's nonmarket environment, to developing measures of cross-border centrality or cross-border structural holes. Also as before, the specific measure will depend on the research question we intend to address.

Whereas the concept of geographic spread intends to reflect the variety of institutional environments that a firm will need to respond to, the concept of cross-border connectedness measures the extent to which these environments are linked to one another. Where cross-border connectedness is nonexistent, firms can address the specific claims of their issue-networks independently of one another and develop highly context-specific responses for each one. In cases where cross-border connectedness is high, a more systemic approach is required given that local actions (or inactions) may easily have global implications.

International nonmarket profiles; strategic and organizational implications. While the international nonmarket reality of most firms probably falls along a continuum in both measures, for analytical simplicity we propose a typology of cross-border nonmarket environments based on crossing both dimensions and assuming they can only take one of two values: high and low. Thus defined, a firm's international nonmarket environment may present one of four configurations: high spread-high connectedness, high spread-low connectedness, low spread-high connectedness, and low spread- low connectedness. As developed below, each of these ideal types presents firms with distinct sets of challenges that require specific strategic and organizational responses.

Low spread, low international connectedness. Environments characterized by low levels of geographic dispersion and cross-border connectedness present moderate levels of added complexity relative to the base-case of purely domestic nonmarket environments. Indeed, while in this scenario a firm's stakeholders have access to a broader variety of resources and the firm may need to respond to a broader variety of claims, low levels of connectedness make the cross-border leverage of those resources by stakeholders a rare occurrence. This type of environment is normally associated to companies in their early phases of internationalization that operate in not particularly sensitive (Miles 1987; Rowley and Berman 2000) industries.

The pressures placed on firms by this type of environment require that they develop some level of location-specific nonmarket expertise in order to properly respond to the specific requests placed upon the firm in each country. Because of the low levels of cross-border connectedness, however, the firm's responses can be highly customized to the institutional characteristics of each country and do not require particularly high levels of cross-country coordination. Organizationally, the amount of resources required to address the nonmarket environment in each country will depend on the number and nature of the claims on the firm in that country, the number and power of the stakeholders involved, and the structure of (within country) relationships they establish. The relative independence of the nonmarket environments that the firm confronts in each country also calls for limited levels of cross-border coordination and alignment mechanisms. Frequently, units or individuals charged with the management of nonmarket environments in each country report directly to the country manager and have limited interactions with their functional counterparts in other countries.

Low spread, high international connectedness. In contrast with the previous scenario, when strong ties among stakeholders located in different countries are present firms need to respond to their claims in a much more systemic manner. Nonmarket environments of this kind frequently arise when the focal event is geographically located close to a country border and affects individuals or groups on both sides of the border, or when a socially or environmentally sensitive project is carried out by firms in different countries.

Continuing with examples from the oil industry, a situation of this kind arose when a consortium of oil firms operating in Ecuador decided to build the *Oleoducto de Crudos Pesados* (OCP), Pipeline of Heavy Crudes in Spanish, with financing from the German bank West LB. West LB is partly owned by the German state of North Rhine-Westfalia that, at the time, was governed by the German Green Party. Concerned environmentalist groups in Ecuador contacted German NGOs tightly connected with the green party and both groups started to exchange information about the potential impacts of the project and the nature of the involvement of the bank. A few months later, environmental groups staged coordinated advocacy campaigns in both countries aimed at pressuring the project's partners and governments to stop the project. And when this failed, they engaged both the OCP consortium and the bank to make sure that the pipeline would not present a danger to the delicate ecosystem of the Amazonian forest it would cross. While the nonmarket environment of the OCP consortium was not geographically very spread, the tight links between the activists in both countries meant that country-specific responses would not satisfy the claims of the firm's stakeholders.

The OCP example highlights some of the strategic imperatives of firms operating in low geographic spread and high connectedness environments. As in the previous scenario, firms will need to gain considerable knowledge about the functioning of nonmarket actors and institutions in each country. Also as before, the more distant, in the multidimensional sense of distance developed above, the countries the higher the challenge and the more substantive the resources firms will need to employ to develop such expertise. Under these conditions, however, identifying the actors or fora that serve as liaison between the stakeholders in the various countries will be of critical importance. Indeed, understanding the structure of the issue-networks in each country and of the mechanisms that link them will be of crucial importance for firm managers to develop an accurate understanding of the claims placed upon the firm, of the distinct resources stakeholders may mobilize in each country, and how they might leverage them across borders in the pursuit of their goals (Foreman 1999).

Organizationally, the need to provide responses that simultaneously satisfy constituencies in multiple geographies requires a considerably higher level of coordination between the various units involved in the management of the nonmarket environment of the firm. In scenarios like the one described here, headquarters tend to adopt a leading role in terms of (1) framing the position of the firm with regards the claims of stakeholders, (2) estimate the overall impact of the various potential responses the company might provide, (3) allocate resources across countries, and ultimately (4) coordinate and monitor the firm's overall response.

High spread, low international connectedness. This profile, depicting a broadly spread but highly fragmented nonmarket environment, embodies the predominant view that business academics and practitioners have held about the nature of multinational companies' nonmarket environments in recent times. As Baron (1995) put it "a comprehensive global or international nonmarket strategy seems unlikely to be successful, however, because strategies must take into account the institutions in whose context nonmarket issues are addressed, the configuration of interests in a country, and other country-specific factors". While we question that this scenario is the only possible one for all multinational firms, there is abundant evidence that many of the issue-networks of contemporary multinational firms are still neatly contained within the boundaries of a single country.

Let us consider, for example, the geographic scope of the 'not-in-my-backyard' (NIMBY) issue-networks that constitute the nonmarket environment faced by numerous established multinational companies. NIMBY movements define situations in which groups of individuals or organizations attempt to exclude themselves from the consequences of policies which in general they support. Current examples of these movements would include the opposition to locating chemical or nuclear plants, wind farms, transportation improvement projects, fast food chains, and retail stores among many others in close proximity to one's residence. Typically, multinational firms operating in these industries need to respond to a broad number and variety of issue-networks that are rarely connected to one another either nationally or internationally.

While the issues faced by these companies have the common denominator of their projects being opposed by the local communities, the way these issues are framed, the resources commanded by stakeholders, and what is deemed legitimate firm and stakeholder behavior vary widely on a country by country (and even on an issue by issue) basis. As a result, multinational firms in these environments need to develop local nonmarket expertise in a large variety of countries and will be inclined to develop local responses to address local stakeholders' claims.

While it might seem that the strategic and organizational implications of this scenario are similar to the first one, the broader geographic footprint faced by companies in this case carries two important differential implications. On the one hand, the level of managerial complexity increases substantially. Indeed, as the geographic spread of a firm's nonmarket environment increases, so does the variety of institutional settings where it needs to develop distinct competencies, limiting the possibility to achieve economies of scale in the exploitation of its nonmarket resources. On the other hand, facing a great variety of institutional settings, allows for greater learning and innovation opportunities in the nonmarket domain. Specifically, as firms develop innovative responses to address stakeholders' claims in different contexts, they may find out their new approaches are transferable, to a greater or lesser extent, to other countries where they operate.

For this reasons, we suggest that other things being equal, the strategic and organizational relevance of nonmarket management increases as the firm's nonmarket environment spreads to new geographies. Even though this scenario requires the development of local solutions to the claims of local stakeholders, the costs and benefits associated to entering new nonmarket environments may be such that they may strongly influence, or even trump, purely market based considerations for international expansion. In particular, firms may decide to expand into countries that are similar to the ones they already operate in (to minimize the costly development of new and radically different nonmarket skills) or, alternatively, into countries that are completely different from where they operate (to maximize the probability of developing/capturing innovative ways to address nonmarket challenges). Similarly to what a number of authors have noted in the competitive realm (Doz, Santos et al. 2002; Lessard and Lucea 2009), cross-country leveraging of lessons learned in the nonmarket environment requires that firms develop a set of organizational mechanisms that allow them to identify, evaluate, adapt, and diffuse these innovations.

High spread, high international connectedness. Nonmarket environments characterized by broad geographic spreads and high levels of cross-border connectedness are the most challenging to manage. In these environments, not only stakeholders have access to a wide-ranging spectrum of resources, but they are also potentially able to mobilize them in a coordinated fashion across country borders.

As depicted in the BP case, mature multinational companies increasingly operate in this type of environment which some authors have characterized a "global fish bowl" (Blackett 2003; Savitz and Weber 2006). This circumstance has been attributed to the development of information and telecommunication technologies , generalized decrease in transportation costs, tighter economic integration, the development of a new global social awareness (Robertson 1992; Guillen 2001), and, more generally, to the globalization of the private, government and social sectors (Prakash 2002). While we agree with the fact that the potential for issues and stakeholders to become international actors has increased as a consequence of all of these developments, it is important not to assume that all firms, by default, operate in a scenario like the one depicted here. Indeed, despite the decrease in costs associated to transferring information and other resources, or to organizing international campaigns, there still remain substantial barriers that stakeholders need to overcome in order to globalize their claims and engage firms in a holistic manner. In support of this perspective, numerous studies have pointed out that the different logics, interests, and resources of 'northern' and 'southern' civil society groups frequently result in less than perfectly coordinated inter-organizational action among these groups when not in outright confrontation.

Thus, keeping in mind that while operating in a globalizing world does not ways equate broadly spread and highly interconnected nonmarket environments, firms who do find themselves is such situations face a particularly complex dilemma. On the one hand, highly spread nonmarket environments are usually associated with a broad variety of issues that firms need to address and/or with large differences in the most effective way to address a particular issue. On the other hand, high levels of international connectedness mean that its actions in one country are quickly noticed and diffused internationally. Formulating and implementing ICSR strategies in such an environment requires performing a delicate balancing act that involves providing substantive response to the specific claims of stakeholders in each country while maintaining high levels of coherence, in form and content, at a cross-country level. Unlike in previous scenarios, failure to do so may carry important consequences at a systemic, not just local, level. In order to fulfill the strategic challenge imposed by this type of environment it is crucial for companies to develop a deep understanding of the various local nonmarket environments where they operate, closely monitoring the overall structure of the relationships among its stakeholders, and identifying which actors occupy particularly important positions in such networks. Under these circumstances, ICSR policies gain considerably in stature within the organization and frequently become are intimately integrated with the firm's business strategy.

Dynamic effects. In addition to the conditions we describe above, there are obviously dynamic and "snowball" effects associated with the growth and impact of issue networks and their stakeholders. For example, Bonardi and Keim (2005) propose that information and reputation cascades, driven by activists or nongovernmental organizations, can cause public policy issues to become widely salient. They propose strategies to prevent such issues from becoming widely salient, focusing primarily on the interaction between media, government policymakers and the general public. Similarly, the issue networks described here have the potential of coalescing in a manner to elevate and issue to a level that may make it difficult for a firm to manage. While we do not address these dynamic effects explicitly, the classification process described above is one mechanism that can support ICSR strategies involving identification of issues, stakeholders and the networks that link them, and constitute a first step in managing them and potentially constraining the "cascade" effects described by Bonardi and Keim (2005) and which were evidence in the BTC issue.

The challenges posed by this type of nonmarket environment require resorting to a broad number of organizational mechanisms ranging from purely structural to the more informal and subtle ones (Martinez and Jarillo 1989). Among the former, we find that one or several members of the top management team are directly charged with the task of developing and deploying the firm's nonmarket resources. Typically, this requires organizational architectures with a central unit in charge of providing coherence to the response the firm gives to stakeholders' claims and foreign subsidiaries with dedicated

CSR teams reporting both to their country managers and to headquarters. Among the latter, firms increasingly resort to alignment and coordinating mechanisms such as formalized planning processes, the establishment of temporary or permanent task forces, the organization of corporate conferences, the creation of corporate universities, and even the functional and geographic rotation of managers. Ultimately, operating in a highly geographically dispersed and tightly connected environment requires that firms develop an organizational culture that satisfactorily addresses the concerns of the firm's (geographically dispersed) stakeholders while meeting the financial performance goals set by its shareholders.

Contributions, Limitations, and Future Research

Unique Contributions of the Model. Our model offers insights that are difficult to obtain from any of the established nonmarket environment conceptual approaches. Specifically, it establishes a clear and inextricable link between the issues a company needs to address, the firm's stakeholders, and the relationships among between stakeholders and the firm and among stakeholders themselves. The integration of resource dependencies, connections acknowledged by stakeholder theory and relational perspectives, the focus of social network theorists, represents an important step in evaluating the potential relevance of a particular stakeholder to a firm –one of the fundamental questions in stakeholder theory (Wood et al). By jointly considering the power a stakeholder derives from its financial/human capital and its social capital managers will be better able to prioritize what stakeholders' claims to address and how to more efficiently allocate the company's resources. Operationally, this could involve weighing some standard measures of the importance of an NGOs (annual budget, number of affiliates, etc) by some measure of network centrality.

Secondly, it acknowledges that there is a range of codetermination between the issues and stakeholder networks a firm faces such that a specific company may be engaged with the same set of actors in multiple issues or may be dealing with a completely different set of actors in each one of the issues it is involved.

Third, it allows for the common occurrence that the relationships that the firm establishes with a particular actor may differ in nature, sign and intensity depending on the issue because firms, governments and other non-market stakeholders do not engage with each other in a monolithic way but tend to be quite discriminating of the positions they take depending on each specific issue.

Fourth, our model also acknowledges that a firm's nonmarket environment is formed by issues of differing potential impact that may be at different stages in their life cycle (Bigelow, Fahey et al. 1993). Finally, since no two firms are engaged in the exact same issues in the same capacity, each organization's nonmarket environment is unique and will have a decisive influence on its performance and chances of survival. Figure 1 provides a summary of this conceptual process.

Limitations and Future Research. As noted above, our model does not explicitly consider dynamic elements. As such, giving our framework a dynamic element could be a potentially insightful enhancement. Recent research on the competitive environment of firms reveals that multinational companies operate in a world that can be best described as semi-globalized (Ghemawat 2003). Similarly, we have argued that we can no-longer think of their non-market environment as a completely fragmented one where issues, stakeholders and the relationships they establish with the firm and among themselves are circumscribed to the boundaries of single countries. This transformation in the nature of multinational firms' nonmarket environments, caused by the increasing foot-looseness of governments and, very specially, civil society organizations has very serious strategic and organizational implications for multinational firms and one that we do not explicitly address in this paper.

Conclusions. In this paper we have developed a conceptual model that not only merges existing characterizations of nonmarket environments, but also takes into consideration the locational implications derived from the fact that multinationals' nonmarket environments are semi-globalized. We have further illustrated the contributions of our model by developing a taxonomy of the types of cross-border nonmarket environments that a firm may encounter and have reflected on the strategic imperatives that each kind of nonmarket configuration places on companies.

Despite the specific contributions this paper makes, we think this is just the beginning of an exciting field of enquiry. Future research might empirically test the prevalence of the four ideal types of nonmarket environments we propose here, as well as the specific forces and triggering events that result in MNCs transitioning from one of the quadrants in our taxonomy to another. Obviously, future studies will concern themselves with the relation between the specific characteristics of a multinational firm's international nonmarket environment and the company's social and financial performance. Another avenue for research involves investigating the proactiveness of firms in managing their nonmarket environment. Indeed, during the presentation of the model we have taken the firm's nonmarket environment as an exogenous. This is not the case: a firm's nonmarket environment is not something that 'is out there' placing claims on the firm irrespectively of what the firm does in the competitive arena. A firm's nonmarket environment is informed, but not fully determined, by what the company does and, as a result, MNCs have to be thought also as strategic actors that may shape their nonmarket environment, to some extent, in order to improve their long term performance. Finally, our conceptual framework could readily be used from the perspective of civil society organizations and (or) individual governments. Indeed, while our focus in this paper has been the multinational corporation, thinking strategically from the perspective of civil society organizations or governments would only require slight adaptations of the principles developed here.

In sum, in our globalizing world it is imperative that ICSR managers bring location to the front and center of their strategic planning process given the strong influence it will bear on how and where they will need to (internationally) deploy their resources for maximum effectiveness and efficiency.

Table 1.- Three approaches to nonmarket environments (table adapted and expanded from Mahon, Heugens et al (2003))

MAIN CONCEPTUAL APPROACHES TO DESCRIBING THE NONMARKET ENVIRONMENT OF FIRMS

	Issue Management	Stakeholder Management	Network approach
Definition of the unit of analysis	Issues are the result of gaps between stakeholder expectations and an organization's policies, performance, products or public commitments (Bucholz, 1988)	"The **stakeholders** in a corporation are the parties that can affec or be affected by the actions of the firm (Freeman, 1984)	The **network** - defined in terms of actors (or nodes) and relationships between actors. Ties represent the exchange of resources (information, people, money) between nodes. (Mahon et al 2003) **Organizational fields** - conceived as 'a set of diverse organizations engaged in a similar function' (Scott 2001:137).
Primary research question	Issue dynamics -how does an issue originates, grows, matures and dies Appropriate managerial response to issues	Who is a stakeholder When/how does it matter	How to integrate stakeholders and issues How does network structure affect actor (generally firm) behavior
Primary focus of managerial attention	Issue evolution	Stakeholders (individuals, organizations)	Relationships with other organizational field actors
Criterion guiding behavior	Stage in the issue life-cycle	Power of the stakeholder as measured by (1) resources it may mobilize, (2) legitimacy of their claims, (3) and urgency of their claims	Structure of the network and structural position of each actor
Goal	Prevent formation of detrimental issues. Minimize damage once the issue has emerged.	Placate powerful stakeholders - social peace - license to operate	Manage one's position in the organizational field to gain power over other actors in the network for productive issue resolution
Relevance of location	Generally, locational attributes of issues are ignored or (implicitly) assumed irrelevant.	Generally, locational attributes of stakeholders are ignored or (implicitly) assumed irrelevant. When explicitly addressed (Baron 1995), stakeholders are depicted as local or national level actors	Generally, locational attributes of networks are ignored or (implicitly) assumed irrelevant.

Figure 1.- Conceptualization of cross-border nonmarket environments, strategic implications

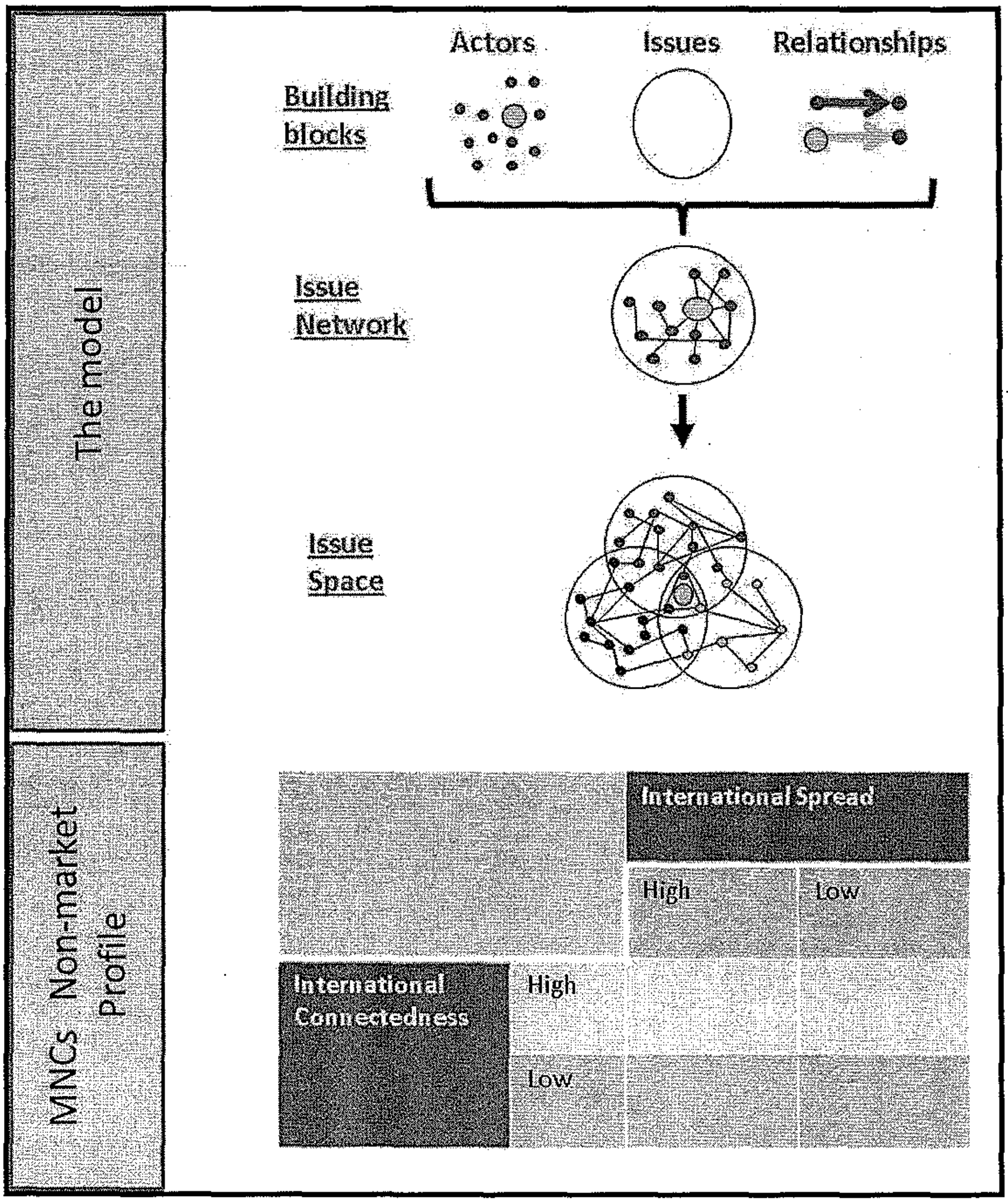
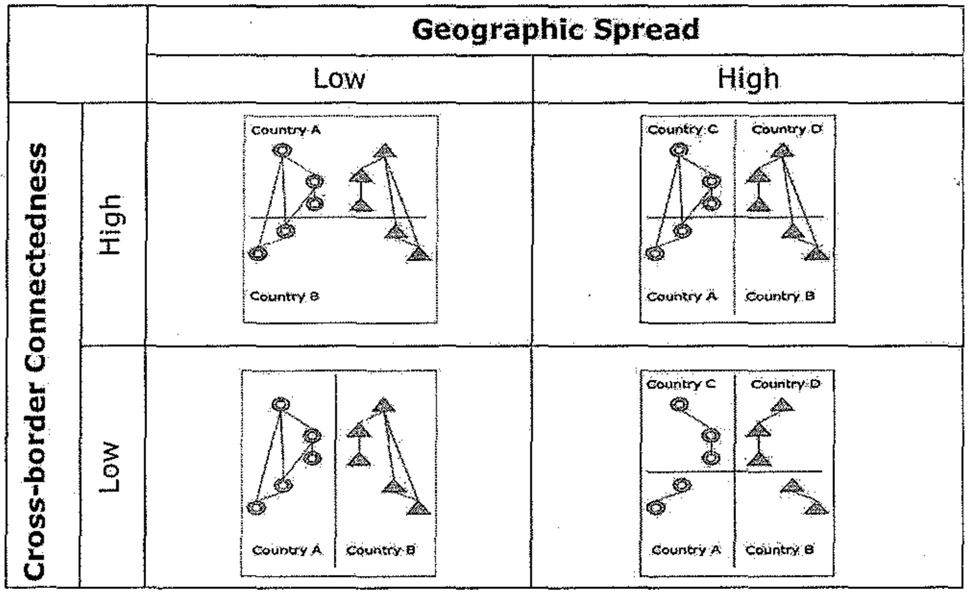


Figure 2 - Cross-border nonmarket taxonomy



The two-by-two table above and the figures inside each cell are a graphic representation of the four international nonmarket environment ideal types a firm may potentially encounter. The elements that constitute our model are represented in the following way in the graphs: Stakeholders are represented by the nodes in each cell. These nodes can take two forms, circles or triangles, depending on whether they are associated with issue A (circles) or issue B (triangles). Further, the relationships established among stakeholders are depicted as the lines linking two nodes. Finally, country borders are represented by the vertical lines and country labels. To keep the representation as simple as possible, the links from the focal firm to the various stakeholders have been omitted (one could imagine an invisible line linking the eye of the reader –the focal firm- to each of the nodes in a cell). Also, note that the number of stakeholders, number of issues and pattern of relationships is essentially the same in all four scenarios. Given this setup, let us consider the various ideal types of nonmarket environments a firm can encounter depending on the level of cross border connectedness (CBC) and international spread (IS):

1. Low CBC - Low IS –bottom left cell-: In this case the firm would need to respond to two issue-networks, each contained within the confines of one country. As a result, IS would be limited to two countries and CBC would be nonexistent (there are no links from country A to country B
2. High CBC – Low IS – upper left cell-: There is no change in IS relative to the previous scenario given that the nonmarket environment of the firm is still spread across two countries. However, there are three cross-country links in the circle issue network, and two in the triangle issue network.
3. High CBC – High IS –upper right cell-: Even though the network structure is the exact same as in the previous case, stakeholders are now spread across four countries, increasing dramatically the breadth and depth of resource pools they can potentially access, as well as the level of complexity of the nonmarket environment of the firm.
4. Low CBC – High IS –lower right cell-: In this final scenario, IS remains unchanged (the nonmarket environment of the firm still spans four countries), but CBC drops to zero by virtue of the disappearance of the ties linking stakeholders in countries A and C, and countries B and D. Effectively, the firm can treat the situation in each of the four countries independently from one another although the issues it needs to address are exactly the same in some countries.

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