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Status Climbing vs. Bridging: Multinational Stakeholder Engagement Strategies

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Abstract. Multinational corporations seeking to overcome the “liability of foreignness” through partnerships with stakeholders in their overseas markets face an important tension in choosing between two alternative strategies. Firms who build relationships with high-status local stakeholders may experience increased cooperation and reduced conflict with other stakeholders. However, the short-term benefits of this *status climbing strategy* may be difficult to sustain because stakeholders with low-status, particularly those outside the formal political structure, are more likely to increase their conflict as the firm becomes increasingly distant from them. An alternative strategy of *bridging structural holes* in the host country stakeholder network also faces theoretical limits as access to scarce information and resources is likely to engender conflict with other stakeholders. The status climbing strategy is more attractive where insider connections dominate (i.e., the rule of law is weak) while the bridging strategy is more attractive in countries with stronger rule of law. In other words, we show that as the rule of law strengthens, multinational entrants focus more on what they know rather than whom they know. Our analyses use a hand-coded data set of almost 52,000 media-reported stakeholder interactions that capture the network of relationships among 4,623 stakeholders from 19 gold-mining companies operating 26 mines in 20 countries, and the evolution of these networks from 1993 until 2008.

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Keywords: stakeholder • multinational • political risk • sustainability • corruption

Multinational corporations seeking to overcome the “liability of foreignness” (Hymer 1976, Mezias 2002, Zaheer 1995) by building cooperative relationships with host-country stakeholders (Harrison et al. 2010) face an important tension. On the one hand, cooperative relationships with host-country stakeholders (i.e., organizations who have a political, social, or economic stake in their investment) afford new entrants critical information about an unfamiliar institutional environment in the host country (Aharoni 1966, Barkema et al. 1996, Chang 1995, Henisz and Delios 2001, Martin et al. 1998) and reduce these stakeholders’ unfamiliarity with the multinational as a new entrant (Harrison et al. 2010). At the same time, however, strategies to build such relationships face structural constraints or negative feedbacks due to the reactions of other stakeholders (Westermann-Behaylo et al. 2015). Cooperating with high-status local stakeholders can rapidly confer status upon the unknown foreign entrant, making it a more attractive partner to local stakeholders, but it can also generate resentment among local stakeholders, especially among the low status ones outside

the political or economic elite. The relative efficacy of this strategy depends upon the relative benefits of rapidly achieving status and cooperative ties to other high-status stakeholders as compared to the costs of engendering conflict from low-status stakeholders. We expect that managers are more likely to see this tradeoff as favorable when operating in countries with institutional environments characterized by weak rule of law, where the cooperation of high-status stakeholders is critical for multinationals’ operations.

An alternative strategy of spanning structural holes (Burt 1992) in the host-country stakeholder network faces similar theoretical tradeoffs because access to unique information and resources can create advances but can also engender conflict with stakeholders. However, the benefits of an informationally rich position decline as the institutional environment weakens. To the extent that a host country is characterized by a weaker rule of law (or is expected to transition into such a state) managers focus less on what they know and more on whom they know.

While the importance of the institutional environment on multinational entry strategies is well established in the international business (Henisz 2000, Jha 2013) and strategy (Baron 2003, Baron and Diermeier 2007, Murdie 2014) literatures, the mechanisms by which multinational entrants overcome their “liability of foreignness” remain less developed. At one level, the need for local partners and local knowledge is obvious: local partners provide multinational entrants with much-needed information, alliances and allegiances. But these partnerships also come with risks: the local partners who can provide knowledge and connections in the host country are also best placed to use their positions to their advantage at the expense of the relatively uninformed foreign entrant (Henisz 2000, Siegel 2007). Further, by forming local partnerships, the multinational entrant might also find itself entangled in old conflicts among local enemies. While prior work has established that the choice of the “right” alliance partner is critical (Siegel 2007) and that firms with international experience are better positioned to manage this underlying tension (Henisz and Delios 2001, 2002; Minoiu and Reyes 2013), recent calls to adopt a stakeholder perspective to multinational strategic entry (Bartley and Child 2014, Harrison et al. 2010, McDonnell and King 2013, Tantalo and Priem 2016, Walker et al. 2008) have been theoretical rather than empirical (see Garriga 2014 for an important qualitative exception).

Our paper’s primary contribution is to extend the empirical analysis of the search for formal joint-venture alliances by considering multinationals’ relationships with a broader set of political, social, and economic stakeholders. Recent research is paying increasing attention to relational contracts (Baker et al. 2009, Bode et al. 2015) to complement our understanding of formal contracting and with a long-standing call to analyze more systematically the emergence and evolution of social capital (Adler and Kwon 2002, Henisz et al. 2012), including in the multinational setting (Kostova and Roth 2002, Kostova and Zaheer 1999). Consistent with this work, we seek to expand the empirical study of multinational entry strategies from formal alliances to stakeholder relationships. We conceptualize these stakeholder relationships as a means of linking the foreign entrant to a preexisting and evolving network of host country stakeholder relationships in which the (multinational) entrant seeks to become structurally embedded (Donaldson and Preston 1995, Freeman 2010, Gnyawali and Madhavan 2001).

The strategic benefits of cooperative relationships between a foreign entrant and political, social, and economic stakeholders in the host country have been established in prior work (Henisz et al. 2014, Dorobantu et al. 2017). In this paper, we seek to understand the

emergence and evolution of these relationships, by examining the reactions of individual stakeholders to different firm-level strategies that alter the firm’s position in the network of host-country political, economic, and social stakeholders. Do a firm’s relationships with high-status stakeholders (i.e., those that are connected to other stakeholders who themselves have many connections) lead to more cooperative relationships with other stakeholders and, if so, which ones? Do the results differ by stakeholder type and status? Does the pattern of stakeholder reactions differ across institutional environments that give more or less primacy to informal relationships and corruption as compared to the rule of law? Analogously, does pursuing positions in the host-country network that provide access to unique combinations of information and resources impact the cooperation and conflict with peer stakeholders and does this impact differ with the rule of law? How should managers choose between these strategies based on the current and future expected state of the institutional environment?

We undertake this analysis by drawing upon prior studies examining the determinants and impact of network position in strategic networks of (technology) alliances (Ahuja et al. 2009, Gulati 1999, Powell et al. 2005), investment banks (Rowley et al. 2005, Shipilov and Li 2008) or advocacy coalitions (Berardo 2009, 2013, Berardo and Scholz 2010, Henry 2011, Leifeld and Schneider 2012, Lubell et al. 2010, Scholz et al. 2008). In each of these seemingly disparate contexts, high status and access to structural holes helps entrants to build their reputation or access information.

We differ from this extant work in studying not the formation and maintenance of exchange relationships but the *degree of cooperation and conflict within them*. Given the inherent suspicion and resentment with which foreign multinational corporations are viewed in many host countries, particularly in the extractive sector which forms our empirical context, we wish to extend the outcomes currently considered within inter-organizational network analysis to include cooperation or, alternatively, conflict. Interorganizational network studies expect cooperation between alliance partners, networks of investment banks and policy advocates, but do not consider that a newcomer entrant might be viewed negatively or that overcoming the resulting conflict is critical to its success. While a limited number of studies analyzing the determinants of network tie dissolution share an implicit interest in conflict versus cooperation within relationships, we make this mechanism the explicit focus of our analysis. Antipathy toward outsiders is a defining characteristic of the challenge of multinational entry into a host country, especially in extractive industries. However, our analysis of efforts by “outsiders” to break into preexisting

networks to overcome liabilities of foreignness or newness can generalize to other contexts as well. For example, the entrant may be an organization with a different technology, a low-status pedigree or a radical policy alternative.

Cooperation and conflict in stakeholder relationships are related constructs. Prior research examining their impact on subsequent escalation of conflict (Hahn et al. 2014, Johnson et al. 2002, King and Lowe 2003, Smith et al. 2013) and on shareholder value (Henisz et al. 2014, Lake and Rothchild 1996) has treated them as lying along a single dimension. Akin to extant work in psychology and organizational behavior on positive and negative affect (Kemp et al. 2011), we disaggregate these constructs into two independent scales of cooperation and conflict. In particular, we seek to understand whether certain strategies designed to engender cooperation with some stakeholders simultaneously or subsequently also engender conflict with others.

Specifically, we consider the impact of a firm's status and efficiency in bridging structural holes on the stakeholder-level cooperation or conflict with that firm. We explore the impact of status in absolute terms and as a dyadic construct relative to a given stakeholder. Similarly, we explore the impact of spanning structural holes both in absolute terms and relative to the number of ties held by the focal firm. This analysis allows us to empirically explore and compare the contingent impact of status climbing and bridging as suggested by the extant literature, but not, to our knowledge, heretofore compared within the same empirical design.

We also extend the extant literature by conducting a comparative analysis across countries whose institutional environments vary in the rule of law. Prior research has emphasized that differences in national institutional environments (i.e., institutional distance) are a key driver of the liability of foreignness (Eden and Miller 2004). Institutional differences create tensions in the multinational enterprise as it faces both pressures to adapt to the local institutional environment and to conform with the routines and practices that drive the firm's competitive advantage (Kostova and Roth 2002, Xu and Shenkar 2002). In our context, we focus our attention upon one regulative dimension of the institutional environment that alters the relative benefits of relationships to high status actors and objective information: the rule of law. As the rule of law weakens, the value of status and cooperative relationships with high-status actors increases and the cost of conflict with low-status stakeholders falls. By contrast, we expect to observe that the value of information obtained via forming bridging ties will increase in countries with high rule of law. Our empirical results strongly support these arguments.

Our analysis draws upon a hand-coded media corpus of firm-stakeholder actions and discourse. The corpus contains every article mentioning the mine in more

than 5,000 sources and the data set coded includes the population of almost 52,000 media-reported interactions involving the 4,623 stakeholders of 19 gold mining companies operating 26 mines in 20 countries in a panel spanning 1993–2008. While we recognize that we necessarily omit the vast majority of firm-stakeholder interactions that are not reported in the media, we nevertheless believe that our population of media-reported interactions is representative. Our firms and stakeholders have incentives to sway the opinion of undecided stakeholders and, given the economic and political import of our mines, such efforts are inherently newsworthy. Prior research demonstrates that these media accounts are material (Henisz et al. 2014) and they help to explain stakeholder and shareholder reactions to critical events where the future of the operations was called into question (Dorobantu et al. 2017). We therefore believe that explaining the determinants of media-reported instances of stakeholder cooperation and conflict to be an important question for organizational research.

Building Reputation and Accessing Information

Multinationals entering foreign markets face two critical challenges. First, they have little familiarity with local suppliers, buyers, government officials, and community members. Second, they are themselves unknown to these local stakeholders. Both forms of uncertainty, altercentric and egocentric (Podolny 2001), create important strategic challenges. Host-country stakeholders are uncertain regarding the quality of the multinational entrant and, as a result, the desirability of cooperating with the firm as compared to more established or familiar competitors. Analogously, the multinational entrant is uncertain of the quality of the various stakeholders and, as a result, of the desirability of cooperating with them and of the best means to do so (Harrison et al. 2010).

Status Climbing and the Benefits of Association

Following the logic of Podolny (2001), a multinational entrant seeking to overcome its stakeholders' altercentric uncertainty should seek to build a reputation for high quality within the host-country environment. The key dilemma for the foreign firm is that even if it does consider itself to be of high quality (for example, it may be a market leader within its industry or in its home country), the stakeholders within the host-country environment may not know or understand this foreign measure of quality or may not perceive this measure of quality to be favorable. For instance, when the well-known American energy company AES invested in Tbilisi, Georgia, in the early 2000s, few Georgians knew about the company and its international success at the time. Because high quality is a

relatively subjective metric, it is important for the firm to identify measures of quality that are important to the stakeholders within that particular institutional environment and to find a means to associate itself with stakeholders who exemplify these subjective measures of high quality. The strategy to demonstrate quality through strategic associations is well documented (Kim 2009, Kim and Laumann 2003).

Status is a principal determinant of influence (Goffman 1967, Ridgeway 2006, Ridgeway and Walker 1995, Weber 1968), deference (Turk and Lefcowitz 1962) and is a reflection of competence (Fiske et al. 1999, Thye 2000). In network building and evolution, status is associated with increases in tie formation and tie strength (Hallen 2008, Podolny 2001). Further, in exchange events, high-status actors are afforded *ex ante* exchange benefits and greater benefits in repeated transactions (Thye et al. 2006). Therefore, status may afford a firm influence, deference, and perceived competence that make it an attractive potential counterparty.

Hypothesis 1. *A stakeholder's cooperation (conflict) with a firm will increase (decrease) with firm status.*

Bridging Structural Holes and Access to Unique Information

Podolny (2001) argues that another key input to overcoming egocentric uncertainty is direct information or resources provided by connected actors. Network ties are pipes that channel the flow of information (Ahuja 2000, Beckman and Haunschild 2002, Davis 1991, Gulati 1995) and other resources (Gulati 1999) among actors in the network that may be of particular importance in the multinational context where stakeholder engagement is a critical input for success (Harrison et al. 2010, Sherwood and Pollard 2018, Whiteman 2009) given the liability of foreignness. Importantly, the flow of information through these network ties includes information about the actors in the network. Research on policy agendas and policy networks (Stevenson and Greenberg 2000) as well as Italian television production (Zaheer and Soda 2009) similarly argue that peripheral actors in a network facing opposition are likely to seek out brokers or assume brokerage positions to access both information and resources otherwise not available to them.

Conceiving of the network as a set of pipes through which information flows, certain structural positions afford the firm access to relatively more valuable or scarce information that is not accessible via the pipes that connect to other positions. Podolny (2001) argues that a key means to overcome egocentric uncertainty is to secure such positions that bridge nonredundant actors within the network that enable occupiers of these network gaps to gain brokerage advantages of information and control (Burt 1992). Occupying networks rich in structural holes impacts innovation

(Ahuja 2000, Hargadon and Sutton 1997), early promotion (Burt 1992), career mobility (Podolny and Baron 1997), capability development (McEvily and Zaheer 1999), and performance after environmental shocks (Koka and Prescott 2008) or in conditions where innovation speed is critical (Zaheer and Bell 2005).

A network rich in structural holes affords the multinational entrant the necessary information to overcome egocentric uncertainty from the environment and, analogously, a stakeholder to overcome alter-centric uncertainty regarding the firm. By forming relatively exclusive relationships to otherwise disconnected stakeholders within the wider network, a firm who occupies structural holes or network positions of brokerage can obtain unique information on the stakeholders themselves. The firm can use such information to discern quality, different types of characteristics, and relationships among stakeholders, and thus obtain strategic guidance on the prioritization of stakeholders. Firms who pursue such positions should be able to draw upon this information in their efforts to enhance cooperation in those relationships.

Hypothesis 2. *A stakeholder's cooperation (conflict) with a firm will increase (decrease) with the firm's access to structural holes.*

Distance, Competitive Rivalry, and Conflict

While building reputation and accessing information that can aid in the development and maintenance of cooperative relationships are important goals of a multinational entrant, these firms face another important challenge: overcoming hostility rooted in nationalism and in distrust of the existing structure of economic and political power. Unfortunately, some of the very strategies that help build cooperative relationships can also accentuate the hostility directed at the foreign entrant by host-country stakeholders, particularly those on the periphery of the economic and political power structures. Firm strategies designed to exploit advantages of network position may simultaneously enhance network constraints (Brass et al. 2004). One such strategy of a foreign entrant is status climbing (i.e., seeking associative status gains through affiliation with high-status local stakeholders). However, this strategy can easily spur resentment because it increases the status distance and inequity between the firm and its stakeholders. Forming relationships characterized by such clearly observable "distance" can undermine the durability of existing relationships and cooperativeness within them. Similarly, the strategy of securing access to unique information or resources by bridging structural holes can engender competition or resentment among external actors.

The Pitfalls of Status Distance

In their seminal work, McPherson et al. (2001) review the findings on the impact of homophily in a wide range of contexts including interorganizational networks. They find strong empirical evidence that similarity in the observable characteristics of actors enhances the durability and cooperativeness of relationships. Several potential mechanisms are explored, though it is difficult to disentangle their impact. Actors who have more common attributes and interests tend to come into more frequent contact through the pursuit of these interests. In most empirical contexts, these factors are highly correlated. By contrast, ties that connect actors who are distant in observable traits, responsibilities or interests are less likely to be sustained (Burt 2000, Popielarz and McPherson 1995) particularly when one stakeholder or another is in a position of stress (Galaskiewicz and Shatin 1981, Hurlbert et al. 2000). Such stress can be exogenous or directly caused by placing oneself in between two actors who expect the focal actor to act in different and inconsistent manners (Obukhova 2012). Similarly, studies of policy networks using the advocacy coalition framework also highlight the difficulty of coordinating political and social activity in the presence of important differences in relevant characteristics. For example, Henry (2011) and Berardo (2013) note that tie formation and strengthening in policy networks is more common among those with similar preferences or ideologies.

Chung et al. (2000) argue that status distance enhances the dissolution of alliances through four distinct mechanisms. First, whereas the low-status firm benefits through association with the high-status firm (Podolny 1993), the high-status firm may correspondingly suffer status degradation unless the low-status firm contributes more effort (Castellucci and Ertug 2010) or unique resources and capabilities. Second, firms with high-status distance are less likely to be similar and compatible in other dimensions that impede ongoing collaboration (Lorange and Roos 1993). Third, firms with high-status distance are argued to exhibit lower “levels of fairness and commitment in sharing both costs and benefits of an alliance” (Chung et al. 2000, p. 4). Shrum (1990) offers an additional complementary argument noting that if status is correlated with resources, status distance is likely correlated with a lack of balance or reciprocity that may trigger resentment or conflict and, in some cases, dissolution (Das and Teng 2000, Kogut 1989, Polidoro et al. 2011). Finally, there is also the possibility that the pursuit of status through the focus on relationships with high-status actors could itself alienate other lower status stakeholders who feel neglected.

In a multinational context, as the status of a foreign entrant rises, other stakeholders may rapidly perceive it as a threat or a coercive force influencing

their national system. Relatedly, as the multinational’s status increases, the firm must develop formal and informal structures suitable for interacting with more high-status host-country stakeholders, and these structures may be inappropriate for engaging the stakeholders with whom the firm interacted initially or ill-suited for broader stakeholder outreach. Finally, as the status of the multinational entrant rises, its sense of entitlement or power may also increase, which may reduce reciprocity in its existing relationships. Host-country stakeholders already suspicious of the foreign entrant could easily seize upon such behavior and use it to dissuade peer stakeholders from forming new or strengthening existing relationships with the multinational, or to encourage national stakeholders with whom the multinational already has ties to terminate those relationships.

A great illustration of how these dynamics play out in our sample is the case of the Rosia Montana Gold Corporation (RMGC), a Canadian mining firm seeking to build a large gold mine in Romania. RMGC first saw a dramatic increase in its status lead to initial gains in cooperation, but also suffered subsequent backlash spear-headed by peripheral social activists. Despite the early support of many high-status stakeholders—the Minister of Industry, the Minister of Transport (who would later become President of the country), the mayor, ten of the eleven members of the town council, one of the largest state-owned mining companies and an influential miners’ union—a French-Swiss environmentalist was able to mobilize a grass roots coalition using low-budget tactics such as protests, lawsuits, and permit challenges and an annual folk festival held on the site of land to be destroyed by the open-pit mine. The opposing coalition worked to roll back key permits and organize national demonstrations against the mine, preventing commercial development to this day. The mine’s initial stakeholder engagement strategy was heavily focused on high-status individuals to its subsequent detriment, particularly, as we will argue later, given the increased strength of the rule of law in Romania. We argue that this pattern of backlash from peripheral stakeholders against an excessive focus on high-status stakeholders by the foreign entrant will manifest throughout our sample.

Hypothesis 3A. *As stakeholder status falls, the positive association between stakeholder cooperation and firm status will decline in magnitude and may become negative.*

Hypothesis 3B. *As stakeholder status falls, the negative association between stakeholder conflict and firm status will decline in magnitude and may become positive.*

Structural Holes and Competitive Rivalry

An alternative causal mechanism links access to structural holes to conflict in stakeholder relations.

While building relationships with high-status actors is argued to enhance cooperation and reduce conflict with other high-status actors, building relationships that span structural holes may engender conflict from firms that previously benefitted from such positional advantages.

Ahuja (2000) highlights the downsides associated with network positions that span structural holes. The lack of overlap in relationships makes the establishment of trust and shared norms less likely (Coleman 1988; Gulati 1995, 1999; Uzzi 1997) and increases the risk of opportunistic behavior by one or the other counterparty (Gulati and Singh 1998, Rowley et al. 2000, Walker et al. 1997). Following this same argument, Vasudeva et al. (2013) demonstrate that the value of (brokerage) ties spanning structural holes on innovation outcomes in the fuel cell industry is contingent on the degree of corporatism in the home countries of the alliance partners. A related argument focused on the inability to leverage third-party ties to constrain opportunistic behavior is developed by Bae and Gargiulo (2004) who argue and find that, absent third-party ties, brokerage positions reduce value in U.S. telecommunications alliances. Ingram and Roberts' (2000) analysis of the structure of friendship networks among Sydney hoteliers is also corroborative of the risks of spanning structural holes in the absence of third-party ties. Studies by Polidoro et al. (2011), Heidl et al. (2016), and Rogan (2014a, b) analyzing the dissolution of joint ventures, multipartner alliances and advertising client relationships are also broadly consistent with the argument that spanning structural holes comes at a cost, as partners cannot constrain competitive or opportunistic forces. Gimeno's (2004) analysis of airline alliances also highlights the competitive dynamics in play within strategic networks and the likely negative reactions of alters to efforts to secure an advantageous position of network brokerage.

We build on these prior studies to highlight that multinationals seeking to bridge structural holes in a preexisting stakeholder network risk positioning themselves between rival groups. Rivals in the value chain might be resentful of positions which could lead to preferential rents. A multinational might jeopardize the cooperation of the governing party if it seeks to also connect with members of the opposition. Similarly, efforts to engage members of different ethnic communities might reduce the cooperation of all of these communities.

The case of European Goldfields' twin operations in northern Greece (Skouries and Olympias) provides a great example from our data of a company that rapidly increased its ability to bridge structural holes and elicited a stakeholder backlash as a result. While certain environmental NGOs have unsurprisingly organized resistance against the proposed projects, private

sector actors have also partnered with these groups opposing the mine. Most notable among these private sector actors are companies in Greece's agriculture and tourism industries, which account for 4% and 18% of total GDP, respectively. Nearby to the Skouries project are many agriculture-based businesses that export traditional Greek products around the world. As progress continued at Skouries, these business owners became increasingly concerned over how mining activities would impact their own supply chains. Iaonnis Stahoris, a local entrepreneur who employed 22 people at his feta cheese factory, told U.K.-based *The Independent* in 2013, "I believe that our final product will greatly deteriorate, as well as our name and our region. We'll no longer have what we have right now, the pure milk, the pure product that people ask for in unpolluted areas. I believe this gold investment will destroy our water, the air we breathe."¹ The concerns raised by Mr. Stahoris and others in the local food industry, together with concerns raised by tourism industry groups, led to the suspension of Skouries' permitting process. We argue that this pattern of competitive rivalry with a subset of stakeholders will manifest when foreign companies secure advantageous bridging positions in the stakeholder network.

Hypothesis 4A. *As firm and stakeholder centrality rise, the positive association between stakeholder cooperation and a firm's ability to span structural holes will decline in magnitude and may become negative.*

Hypothesis 4B. *As firm and stakeholder centrality rise, the negative association between stakeholder conflict and a firm's ability to span structural holes will decline in magnitude and may become positive.*

Rule of Law and the Choice of Stakeholder Strategy

While we posit benefits and costs to both status climbing and bridging, we believe that the net benefits of each strategy differ across countries. Multinational enterprises seek the benefits of association with high status actors or the information afforded by bridging ties as part of a strategy to overcome egocentric and altercentric uncertainty. This uncertainty can contribute to performance shortfalls in host country operations (i.e., the liability of foreignness). Prior empirical studies have shown that variation in a host country's institutional environment (Henisz 2000; Henisz and Delios 2001, 2002) or the difference between a host and home country's environment (Kostova and Roth 2002) can generate variation in the entry strategies or practices of multinational enterprises across countries. Using a similar logic, we argue that the relational strategies of multinationals will similarly vary across countries. Of the various dimensions or measures of

the institutional environment, we focus our attention on the rule of law. The benefits of whom you know (i.e., status climbing) are most important in countries where the formal institutions are weak and informal relational governance dominates (i.e., weak rule of law). By contrast, in countries with strong formal institutions (i.e., strong rule of law), the unique combinations of information that may be developed and deployed via bridging strategies are more valuable.

The benefit of status climbing is higher and more persistent in countries where the reputation or affiliation benefits of relationships and the resources that can be accessed through connections are particularly important. Where a more meritocratic or objective process determines performance, such relationships should be less impactful. Similarly, the costs of status climbing (i.e., the conflict generated by resentment to larger status distance) will be more impactful where peripheral (i.e., low status) stakeholders can successfully mobilize and impact the firm. This often occurs through regulatory hearings or legal intervention, typically engendered in countries with relatively stronger rule of law, which delays or adds costs to the firm's investment project. By contrast, where peripheral stakeholders are disenfranchised and powerless due to their lack of access to the formal structures of political governance (i.e., in countries with weaker rule of law), the costs of status climbing are lower.

While status climbing is likely to have benefits in institutional environments with weak rule of law, the bridging strategy, which creates value by enhancing access to objective information is likely to be penalized in countries with weak rule of law. In more transparent, competitive environments, information (including that obtained through a bridging position in a stakeholder network) can be a valuable input into strategy formulation. By contrast, when performance is determined by *who* you know not *what* you know, the value of such information is reduced. Combining these two logics we expect that in countries with weak rule of law, the net benefits of status climbing will be higher than in high rule of law countries. By contrast, the relative benefits of bridging will be higher in countries with stronger rule of law. For managers, mitigating the liability of foreignness is therefore contingent on the tradeoffs between who they know (i.e., a status climbing strategy) and what they know (i.e., a bridging position strategy) within the specific institutional context of where they are located (i.e., strong or weak rule of law).

Hypothesis 5. *Where rule of law is weak, we expect firm status to have a stronger positive (negative) relationship on stakeholder cooperation (conflict).*

Hypothesis 6. *Where rule of law is strong, we expect stakeholder status to have a stronger negative (positive) moderating relationship on the positive (negative) relationship between firm status and stakeholder cooperation (conflict).*

Hypothesis 7. *Where rule of law is strong, we expect firm access to structural holes to have a stronger positive (negative) relationship on stakeholder cooperation (conflict).*

Data and Methods

Sample and Data Construction

We explore the relative benefits and costs of status climbing and bridging relational strategies on the degree of cooperation and conflict expressed by over 4,600 external stakeholders toward 19 multinational gold mining firms investing in their countries. Due to a perception of high negative environmental and social externalities, mining firms often face significant conflict with a diverse set of relatively powerful external stakeholders including governments, multilateral agencies, NGOs, legal practitioners, environmentalists, development specialists, and members of the community where the mine is situated. The global mining industry faces tough profit margins (Azapagic 2004) because of high capital costs, substantial costs of environmental protection, and considerable operational and business costs, such as taxes and employee benefits. Any additional costs—such as those arising from adverse activism by stakeholders (Davis and Franks 2011, Gifford and Kestler 2008, Humphreys 2000)—significantly impact margins. The costs of activism include not only direct operational disruptions, legal and personnel costs but also indirect costs such as higher cost of capital (Humphreys 2001) and lost future business operations (Davis and Franks 2011). Prior research demonstrates that variation in the degree of cooperation with external stakeholders explains twice as much variance in market capitalization for these companies as does variation in the net present value of the gold reserves these firms ostensibly control (Henisz et al. 2014). Given the importance of stakeholder cooperativeness to performance, this context is well-suited to our analysis.

Our sample is the population of firms listed on the Toronto Stock Exchanges (TSX) who own and operate up to three mines primarily containing gold in emerging markets. The sample includes 19 firms who operate 26 mines in 20 countries. Of all publicly-traded mining firms, 58%² are listed on the TSX, making our sample representative of global entrepreneurial gold mining firms investing in emerging markets. For each mine, we extracted from the Factiva³ database all the available media entries that referenced both the firm and the mine (for a total of 22,229 media entries), relying on the media to highlight the actors and organizations that have a political, social or economic stake in the mine.

We read all these media reports to identify and code each event that conveys cooperation or conflict between the firm and a stakeholder or a set of stakeholders. We manually recorded the initiator of an event (the source), its target, and the verb that describes their interaction, thus capturing who did what to whom, or who said what about whom. These source-verb-target triplets provide information on the ties between firms and their stakeholders, the direction of these ties, and the degree of cooperation and conflict therein. Consider a sentence from an article by Reuters from the corpus of articles for Banro Corporation dated February 15, 1997 that states, “KINSHASA, Feb 15 (Reuters)—Zaire and Canadian company Banro Resources Corp have signed a gold and tin mining convention covering concessions in the east of the Central African country, Zairean state radio reported on Saturday.” The SOURCE actor is *Zaire (Government of)*, the TARGET actor is *Banro Resources Corp*, and the VERB or VERB PHRASE is *sign convention*. Other variables coded include its location (in the example above, *Kinshasa*), the source of the news article in the Factiva corpus (*Reuters*), and the original news source (*Zairean State Radio*) and its date of occurrence (February 15, 1997) which often differs from the report date. This coding methodology (presented in greater detail in Appendix A and illustrated with additional examples in Appendix B) follows widely employed protocols in international conflict studies (Bond et al. 2003, King and Lowe 2003).⁴

We draw upon extensive research in international relations that examines the escalation of inter- and intrastate conflict and cooperation to develop a text-based methodology for measuring cooperation and conflict between firms and their stakeholders. Specifically, we use a slightly modified version of a well-established scale of cooperation and conflict (Goldstein 1992) to code the verbs and verb phrases that appear in the subject-verb-triplets we recorded.⁵ Our scale is a measure of the degree of cooperation or conflict between actors and ranges across 20 categories from extremely conflictual events valued at one, denoting the launch of violent attacks with actual or potential serious deaths or injury, to highly cooperative events valued at 20, denoting the provision of armed support or defense; neutral events are valued at 10. See Appendix C for a summary of the scale.

The conflict-cooperation scale covers the population of 10,747 verbs and verb phrases identified by our coders in the 51,754 interactions connoting conflict or cooperation that they found in our 22,229 articles. We placed these 10,747 verbs and verb phrases on our scale through a “fuzzy matching” of synonyms of these verbs and verb phrases and the smaller vocabulary that comprised the original scale. For the Reuters article example given earlier, the verb phrase “sign convention” is roughly 14 on our conflict-cooperation scale. While the majority of cases lie within the three

(e.g., arrest, restrain, blockade) through 15 (e.g., rally in support, policy decision in support of the firm or a stakeholder) range, our data spans the entire spectrum including deadly rebel attacks on U.N. peacekeepers (coded as 1) and the provision of Zimbabwean armed support to Congo (coded as 20), in the case of Banro Corporation’s Twangiza mine in the DRC.

Using this coding scheme and verb-matching process, we created a longitudinal database of daily, directed source-verb-target interactions between firms and stakeholders and among stakeholders themselves. Using the source-verb-target phrases, we constructed dynamic depictions of the stakeholder network reflecting the number of interactions, and their degree of cooperation and conflict, for each mine over a given length of time. Within the media-reported network for a given year, we used algorithms, as described in more detail below, to derive multiple metrics characterizing the structure of a stakeholder network. To our knowledge, with the exception of work done by Stark and Vedres (2006), few extant studies have constructed stakeholder networks of such depth in the emerging market context, and no extant work of which we are aware uses media articles to construct this network.

The stakeholders appearing in media articles referencing the firm and mine comprise the risk set of stakeholders—i.e., those stakeholders “at risk” of interacting with the firm or with other stakeholders. Correct specification of the risk set is critical to addressing potential problems of unobserved heterogeneity (Gulati 1999). Conceptually, all existing local stakeholders within the host country (as well as foreign stakeholders with established relations with a host country such as The United Nations, The World Bank and international nongovernmental organizations) are “at risk” of interacting with the firm and with each other. However, this conceptual set of stakeholders is too broad to be empirically tractable. Arguing that we have identified all “relevant” stakeholders in the media over the life of the mine, we limited our risk set to the actual set of stakeholders mentioned in the body of articles referencing the firm and mine.

Our resulting stakeholder data set was coded from 22,229 articles and incorporates 51,754 interactions linking 4,623 unique stakeholders, distributed across the 26 different mine sites in 20 countries over 15 years. This novel data set allows a comprehensive view of the dynamic evolution of media-reported firm-stakeholder networks and facilitates valid and objective quantitative analysis of the strength of relationships between the firms and their stakeholders as well as the evolution of cooperation and conflict in those relationships.

Dependent Variable

Our dependent variables, *cooperation* and *conflict*, are the monthly averages of the Goldstein scores representing all events initiated by a given stakeholder

toward the firm that are cooperative (i.e., ≥ 10 on the conflict-cooperation scale) or conflictual (i.e., < 10 on the conflict-cooperation scale) respectively.⁶ We disaggregate the scale into two dimensions to be consistent with the extensive psychological and organizational behavior literatures which demonstrate that positive and negative affect are distinct constructs (Russell and Carroll 1999, Kemp et al. 2011) with distinct determinants (Larsen and Ketelaar 1991).

Independent Variables

We examine how cooperation and conflict expressed by stakeholders toward the firm in a given month varies according to time-varying measures of the structural position of the firm in the stakeholder network, the structural position of a given stakeholder and, in the case of status, their interaction.

We used the database of firm-stakeholder interactions to create sociometric data from which we constructed our network-based measures. We created adjacency matrices representing the number of ties and degree of cooperation and conflict within firm-stakeholder and stakeholder-stakeholder interactions (i.e., symmetric signed and directed dyadic data) for each year in which the mine is in operation. Each firm and stakeholder in our data is represented as a node X , where $X = (1, \dots, n)$, and their media-reported interactions are captured in $n \times n$ adjacency matrixes. Each element of the adjacency matrix comprises directed, dated, and signed firm-stakeholder or stakeholder-stakeholder interactions, r_{ijt} , gathered from media reports and scaled according to cooperativeness. Interactions initiated by firm i to stakeholder j and interactions from j to i are differentiated, i.e., $r_{ijt} \neq r_{jit}$. Because interactions are signed and directed, to uphold the fidelity of the data, r_{jit} can be 0 while $r_{ijt} \neq 0$, e.g., a stakeholder can interact in a conflictual manner with the firm, but the firm may not have prior reported interactions with that stakeholder and may not reciprocate the action or otherwise respond. By convention, the diagonal elements in all our network matrixes are coded as 0 (Marsden 2002) and actors with no reported interactions between them are reflected as $r_{ijt} = 0$ and $r_{jit} = 0$. Our stakeholder networks are sensitive therefore to the (1) direction and (2) degree of cooperation and conflict between the firm and a stakeholder, or between two stakeholders as reported on a given date, which we aggregated here into annual units of observation.

Status. Status is a reflection of the importance of the firm among other stakeholders in the network. We measure status using eigenvector centrality (Bonacich 1987) based on the premise that the status of a node in a network is a function of the statuses of the nodes with whom it interacts, as reported in the media. A well-connected (i.e., high-status) node is one who is connected to other well-connected (i.e., high-status) nodes,

who are themselves well-connected (i.e., high-status). We compute status for firm i at time t as

$$\text{Firm Status}_{it} = \lambda_t e_{it} = \sum_k G_{ikt} e_{kt}.$$

We compute the status of each stakeholder j at time t in the same manner:

$$\text{Stakeholder Status}_{jt} = \lambda_t e_{jt} = \sum_k G_{jkt} e_{kt},$$

where G_{ikt} and G_{jkt} are matrixes of the number of interactions (Bonacich 1987) between firm i or stakeholder j and other stakeholders k at time t ; e_{it} and e_{jt} are the eigenvector centralities of firm i or stakeholder j at time t ; and λ_t is a time-varying constant known as the eigenvalue required to ensure equations have a nonzero solution.

The nature of our data set introduces an important constraint in our ability to compare the status of our foreign firm and a given local stakeholder. While, by construction, we observe every media-reported interaction of the foreign investing firm, our coverage of stakeholders is only partial. Any media-reported event in an article that mentions the investing firm or the mine would be included but events related to other topics would not. To effect a comparison between our two status measures, we therefore rely on a ranking of stakeholders which we order according to their status in our sample. Specifically, we measure a given stakeholder's status as their percentile rank in status among all the stakeholders for that mine. We then interact this percentile rank with the firm's status to allow the effect of firm status to vary according to the relative status of a given stakeholder. We use these measures to test Hypotheses 1 and 3A–3B.

Structural Holes. To measure the diversity of the firm's sources of information, and test Hypotheses 2, 4A, and 4B, we use its access to structural holes in the stakeholder network. Structural holes are defined as network positions that bridge nonredundant actors within the network thereby enabling actors occupying these network gaps to gain brokerage advantages via access to and control of diverse and possibly unique information (Burt 1992). We use the structural holes constraint measure that is a standard measure in network theory used to determine the firm's *lack of access* to structural holes (i.e., the smaller the value, the greater the firm's access to structural holes). We multiply the measure of structural holes by -1 to determine the impact of the firm's *access* to structural holes and thus to diverse

information. We use the following formula to compute this measure for each firm i in each year t (Burt 1992):

$$\text{Firm Structural Holes}_{it} = \sum_{j=1}^n \left(g_{ijt} + \sum_{q=1}^{n-1} g_{iqt} g_{qjt} \right)^2 * -1$$

$q \neq i, j; i \neq j,$

where g_{ijt} are direct interactions between firm i and stakeholders j at time t ; $g_{iqt} g_{qjt}$ is the sum of the indirect interactions from firm i to all stakeholders q via all intermediate stakeholders j at time t .

To capture the potential risk of subsequent stakeholder conflict, we consider how the impact of a firm's ability to bridge structural holes is conditioned by the number of its external ties. We expect that firms with more external ties will face greater difficulties in deploying the unique information or resources without engendering conflict among external stakeholders.

Degree Centrality. We measure the simple count of media reports in which a firm or a stakeholder appears in a given year and enter these variables both directly as well as interacted with firm access to structural holes to test Hypotheses 4A and 4B.

Rule of Law. To test Hypotheses 5–7, we divide our sample into two subsamples of relatively high and low rule of law. The first excludes the country-years in the bottom quartile of the rule of law taken from the World Bank Institute's World Governance Indicators (WGI) (Kaufmann et al. 2010) whereas the second excludes country-years in the top quartile.⁷ The rule of law is a subjective rating of the "extent to which citizens have confidence in and abide by the rules of the society" (Kaufmann et al. 2010, p. 3). In addition to the hypothesized interactions, we expect rule of law to be directly positively correlated with cooperation and negatively correlated with conflict as it is more likely that when due process rather than corruption and secrecy characterizes the process of a mine's development, stakeholders will be more favorable toward and cooperate more with that mine.

Control Variables

We also include a set of controls to address variation across time, countries, firms, mines, and stakeholders.

Gold Price. We control for the monthly price of gold. This variable is particularly important as the price of gold rose sharply over the years in our sample and continued to rise, hovering around \$400 per ounce in 1995, passing \$500 per ounce for the first time in December 2005, \$1,000 per ounce in March 2008, and topping \$1,900 an ounce in August 2011. As gold is used as a hedge in times of financial crisis, the sharply rising price of gold heightens tensions over who has the right to appropriate this value. We expect the gold price to be negatively correlated with cooperation and positively correlated with conflict.

Voice. We include a country-level measure of voice within the host country to control for the level of freedom of the media and freedom of speech within each country. We expect voice to be positively correlated with both cooperative and conflictual events.

Distance from Toronto. We include a control variable measuring the distance between Toronto, Canada where the firm is listed on the TSX and the capital city of the host country. We obtain the measures of geographical distance from the Indo.com website.⁸ Remoteness may increase coordination difficulties for local mine managers or, alternatively, give them more autonomy in their management of stakeholder relations.

Mine Status. At the mine level, we control for the development stage of the mine in terms of whether the mine is in exploration, feasibility, construction, production or the mining process has been suspended. Because exploration and feasibility are relatively early stages prior to the significant outlays of investment resources by firms to develop the mine, we create indicator variables to capture whether the mine has reached the construction or production stage as well as whether the mine was suspended in that year. We expect less cooperation and more conflict in suspension than construction, production or feasibility stages.

Stakeholder Type. To allow the mean level of cooperation and conflict to differ for stakeholders in the political, economic or social spheres, we introduce indicator variables for economic and "other" sectors with political stakeholders serving as the omitted category.

Global Media Coverage. To address concerns that some mines or stakeholders might receive more prominent media coverage that would impact our likelihood of observing stakeholder events, we create both firm-level and stakeholder-level measures of the proportion of total media-reported events appearing in foreign sources. We expect these measures, which capture the prominence or visibility of the firm and stakeholder, to be positively associated with the incidence of cooperation and conflict.

Press Release Coverage. To address concerns that some companies may skew the news coverage with more aggressive use of press releases, we similarly create both firm-level and stakeholder-level measures of the proportion of total media-reported events appearing in press releases. We expect these measures, which capture the prominence or visibility of the firm and stakeholder, to be positively associated with the incidence of cooperation and conflict. We expect cooperative events to be more commonly reported in company press releases and both cooperative and conflictual events to appear more frequently in stakeholder press releases.

We provide summary statistics and a correlation matrix in Table 1.

Table 1. Summary Statistics and Correlation Matrix

	Cooperation	Conflict	Firm status	Stakeholder status (percentile)	Firm status × Stakeholder status (percentile)	Firm structural hole efficiency	Firm degree centrality × Firm structural hole efficiency	Stakeholder degree centrality × Firm structural hole efficiency	Gold price	Voice	Rule of law	Distance from Toronto	Mine status = Feasibility	Mine status = Construction	Mine status = Production	Firm degree centrality	Ratio of firm events in global media	Ratio of stakeholder events in global media	Ratio of firm events in press releases	Ratio of stakeholder events in press releases
N	25,428	20,879	39,134	30,233	29,767	39,134	39,134	29,767	40,123	39,746	39,746	40,123	40,123	40,123	40,123	40,123	40,123	40,123	40,123	40,123
Mean	3.67	2.98	0.19	0.49	0.10	0.97	63.58	6.84	602.48	0.24	-0.22	4761.49	0.56	0.22	0.01	65.15	0.23	0.23	0.30	0.28
Standard deviation	1.93	1.51	0.07	0.31	0.08	0.02	32.48	10.11	207.16	0.69	0.67	1515.44	0.50	0.41	0.12	32.90	0.23	0.35	0.25	0.33
Minimum	0.00	1.00	0.01	0.00	0.00	0.72	1.00	0.87	256.08	-2.16	-2.21	2024.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00
Maximum	10.00	9.00	0.60	1.00	0.60	1.00	138.66	64.33	1,390.55	1.68	1.88	8779.00	1.00	1.00	1.00	141.00	1.00	1.00	1.00	1.00
Cooperation																				
Conflict	0.27																			
Firm status	-0.01	-0.24																		
Stakeholder status (percentile)	-0.09	-0.13	0.31																	
Firm status × Stakeholder status (percentile)	-0.08	-0.26	0.75	0.82																
Status (percentile)																				
Firm structural hole efficiency	0.02	-0.21	0.65	0.18	0.46															
Firm degree centrality × Firm structural hole efficiency	0.17	0.12	0.00	-0.21	-0.21	0.37														
Stakeholder degree centrality × Firm structural hole efficiency	-0.04	0.10	-0.29	0.48	0.11	-0.23	0.01													
Gold price	0.09	-0.18	0.38	0.00	0.24	0.42	0.21	-0.33												
Voice	0.07	-0.11	0.68	0.24	0.52	0.82	0.24	-0.27	0.27											
Rule of law	0.01	-0.14	0.69	0.30	0.55	0.73	0.12	-0.32	0.33	0.86										
Distance from Toronto	0.05	0.00	0.17	0.11	0.18	0.13	-0.11	-0.29	0.55	0.01	0.24									
Mine status = Feasibility	0.08	0.00	0.22	0.00	0.16	0.18	0.22	-0.31	0.17	0.09	0.25	0.32								
Mine status = Construction	0.00	-0.11	0.16	0.03	0.09	0.14	-0.14	-0.13	0.35	0.19	0.09	0.18	-0.57							
Mine status = Production	-0.05	-0.05	0.12	0.04	0.10	0.05	0.01	0.08	0.31	0.00	0.02	0.09	-0.13	-0.11						
Firm degree centrality	0.17	0.13	-0.02	-0.22	-0.22	0.35	1.00	0.02	0.19	0.22	0.09	-0.13	0.21	-0.14	0.01					

Table 1. (Continued)

	Cooperation	Conflict	Firm status	Stakeholder status (percentile)	Firm status × Stakeholder status (percentile)	Firm structural hole efficiency	Firm degree centrality × Firm structural hole efficiency	Stakeholder degree centrality × Firm structural hole efficiency	Gold price	Voice	Rule of law	Distance from Toronto	Mine status = Feasibility	Mine status = Construction	Mine status = Production	Firm degree centrality	Stakeholder degree centrality	Ratio of firm events in global media	Ratio of stakeholder events in global media	Ratio of firm events in press releases	Ratio of stakeholder events in press releases
Stakeholder degree centrality	−0.04	0.10	−0.29	0.48	0.10	−0.25	0.01	1.00	−0.33	−0.28	−0.33	−0.29	−0.31	−0.13	0.07	0.02					
Ratio of firm events in global media	0.03	0.09	−0.20	0.00	−0.13	−0.21	0.05	0.19	−0.10	−0.21	−0.19	0.07	−0.02	−0.08	0.00	0.05	0.19				
Ratio of stakeholder events in global media	0.10	0.14	−0.14	−0.01	−0.08	−0.19	0.12	0.17	−0.12	−0.20	−0.18	−0.03	0.02	−0.13	−0.02	0.13	0.17	0.71			
Ratio of firm events in press releases	−0.02	−0.18	0.20	0.09	0.21	0.14	−0.13	−0.09	0.14	0.10	0.21	−0.01	0.04	−0.09	0.01	−0.13	−0.09	−0.46	−0.28		
Ratio of stakeholder events in press releases	−0.01	−0.18	0.19	0.16	0.26	0.16	−0.09	−0.07	0.15	0.11	0.19	−0.02	0.08	−0.13	0.04	−0.09	−0.07	−0.36	−0.36	0.81	

Table 2. Full Sample Results, Cooperation, and Conflict

	DV = Stakeholder Cooperation toward firm			DV = Stakeholder Conflict toward firm		
	(1)	(2)	(3)	(4)	(5)	(6)
Firm status		0.698* (0.337)	4.500*** (0.572)		−1.222** (0.374)	−3.813*** (0.633)
Firm status × Stakeholder type = Economic			1.649** (0.567)			8.234*** (0.821)
Firm status × Stakeholder type = Other			−4.153*** (0.757)			4.013*** (0.672)
Firm access to structural holes		0.826 (0.903)	−1.244 (1.875)		−8.180*** (1.803)	−15.366*** (2.913)
Stakeholder status (percentile within type)		−0.157*** (0.037)	0.377*** (0.071)		0.074** (0.026)	0.258*** (0.063)
Firm status × Stakeholder status			−2.575*** (0.283)			−1.189*** (0.312)
Firm centrality		−0.003*** (0.001)	0.300*** (0.061)		0.003*** (0.001)	−0.733*** (0.070)
Stakeholder centrality (percentile within type)		0.023 (0.039)	−6.943*** (1.067)		−0.013 (0.028)	−1.821 (1.336)
Firm access to structural holes × Firm centrality			−0.307*** (0.062)			0.748*** (0.071)
Firm access to structural holes × Stakeholder centrality			7.112*** (1.094)			1.891 (1.372)
Firm access to structural holes × Stakeholder type = Economic			−3.434* (1.562)			−7.453* (3.081)
Firm access to structural holes × Stakeholder type = Other			−3.132 (3.350)			−31.459*** (3.144)
Gold price	0.00 (0.000)	−0.000 (0.000)	−0.000 (0.000)	0.001*** (0.000)	0.003*** (0.000)	0.003*** (0.000)
Voice	0.495*** (0.047)	0.634*** (0.056)	0.636*** (0.057)	0.262*** (0.046)	0.179** (0.057)	0.399** (0.059)
Rule of law	−0.432*** (0.048)	−0.594*** (0.059)	−0.472*** (0.065)	−0.587*** (0.051)	−0.185** (0.061)	−0.824*** (0.079)
Distance from Toronto	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)
Mine status = Feasibility	−0.079 (0.052)	−0.372*** (0.068)	−0.243*** (0.069)	−0.766*** (0.055)	−0.677*** (0.067)	−0.864*** (0.070)
Mine status = Construction	−0.358*** (0.059)	−0.715*** (0.075)	−0.612*** (0.076)	−0.762*** (0.055)	−0.524*** (0.068)	−0.741*** (0.070)
Mine status = Production	−0.303**	−0.653***	−0.624***	−0.558***	−0.381**	−1.054***

Note. *t* statistics in parentheses. **p* < 0.05; ***p* < 0.01; ****p* < 0.001.

Models and Results

As our firm-stakeholder interactions data is an unbalanced panel and our dependent variables—*cooperation* and *conflict*—are measured on a bounded continuous scale, we use a panel tobit model; we include fixed effects for each year in these models. For both dependent variables we run three models: (1) a baseline model with controls; (2) baseline model plus the firm characteristic or position variables; and (3) a full model with controls, firm characteristic or position variables and interaction terms. All six models used to test Hypotheses 1, 4A, and 4B are presented in Table 2. To test Hypotheses 5–7, we reproduce the fully specified models (3 and 6) in subsamples of country years with relatively high or low rule of law in Table 3.

Beginning with our control variables, we observe that the price of gold does positively influence conflict and, in countries with weak rule of law, reduces cooperation. Voice has a consistent positive impact on cooperation and, in countries with strong rule of law, conflict. The rule of law reduces cooperation and conflict while the effect of Distance from Toronto depends on the rule of law in the host country. Across phases of mine production, cooperation is lowest in construction followed by production, feasibility and pre-feasibility (omitted category). Conflict is, by contrast, highest in prefeasibility and feasibility, intermediate in construction, and lowest in production. We do observe higher cooperation and conflict toward firms more likely to appear in global media sources. Corporate use of press

Table 2. (Continued)

	DV = Stakeholder Cooperation toward firm			DV = Stakeholder Conflict toward firm		
	(1)	(2)	(3)	(4)	(5)	(6)
Ratio of media coverage in global media for firm	(0.109) 0.185* (0.076)	(0.127) 0.487*** (0.085)	(0.129) 0.455*** (0.085)	(0.103) 0.249*** (0.056)	(0.128) 0.280*** (0.068)	(0.135) 0.311*** (0.068)
Ratio of media coverage in global media for stakeholder	0.247*** (0.052)	0.092 (0.058)	0.096 (0.058)	0.022 (0.036)	−0.069 (0.044)	−0.080 (0.043)
Ratio of media coverage in press releases for firm	−0.176* (0.083)	−0.116 (0.091)	−0.074 (0.091)	−0.063 (0.071)	0.038 (0.087)	0.052 (0.087)
Ratio of media coverage in press releases for stakeholder	0.328*** (0.057)	0.244*** (0.062)	0.210** (0.062)	−0.013 (0.051)	−0.238*** (0.066)	−0.241*** (0.066)
Stakeholder type = Economic	0.623*** (0.040)	0.634*** (0.045)	3.637* (1.485)	−0.048 (0.043)	0.094 (0.051)	5.983* (2.912)
Stakeholder type = Other	−0.042 (0.044)	−0.068 (0.049)	3.861 (3.198)	0.011 (0.033)	0.215** (0.040)	30.136*** (3.000)
Year indicator variables	Yes	Yes	Yes	Yes	Yes	Yes
Constant	2.216*** (0.322)	2.032* (0.983)	3.269 (1.883)	1.700** (0.505)	9.662*** (1.755)	15.855*** (2.775)
Σ_u	1.309*** (0.018)	1.375*** (0.019)	1.372*** (0.019)	0.912*** (0.017)	0.980*** (0.020)	0.940*** (0.020)
Σ_e	1.416*** (0.009)	1.335*** (0.009)	1.326*** (0.009)	1.119*** (0.008)	1.126*** (0.010)	1.124*** (0.010)
ρ	0.461 (0.008)	0.515 (0.009)	0.517 (0.009)	0.371 (0.011)	0.431 (0.013)	0.412 (0.013)
N	24,753	19,942	19,942	20,635	13,870	13,870
Firm-Stakeholder Dyads	11,168	9,204	9,204	8,443	6,449	6,449

Note. t statistics in parentheses. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

releases is associated with higher conflict and lower cooperation in countries with strong rule of law but higher cooperation where the rule of law is weak. Stakeholder coverage in global media sources and their use of press releases is associated with higher cooperation and lower conflict.

Given the contingent nature of many of our hypotheses, we explore the impact of our theoretical variables of interest graphically in Figures 1–12. The first six figures plot the marginal impact of an increase in firm status on the predicted level of cooperation or conflict expressed by a stakeholder who varies in their level of status in countries who vary in their rule of law. The second set plot the predicted marginal impact of an increase in the firm's ability to span structural holes on the predicted level of cooperation or conflict by a stakeholder who varies in their level of degree centrality toward firms with varying levels of firm degree centrality in countries who vary in their rule of law (Figures 7–12).

Hypotheses 1 predicted that firm status would be associated with higher stakeholder cooperation and lower stakeholder conflict. This suggests that the schedules plotting the predicted impact of increasing firm status on stakeholder cooperation across all countries in Figures 1–3 should be above the horizontal axis for mean levels of stakeholder status and the same

schedules plotting the predicted impact on stakeholder conflict in Figures 4–6 should be below the horizontal axis for mean levels of stakeholder status. We find support for the hypothesis for cooperation by political and economic stakeholders but not for other stakeholders and for conflict with political and other stakeholders but not economic stakeholders.

Hypotheses 3A and 3B suggest that the benefits of status should be contingent upon the level of stakeholder status with lower status stakeholders exhibiting lower gains in cooperation and higher conflict than their higher status stakeholder counterparts. We find support for this hypothesis when considering conflict (i.e., Figures 4–6 all show higher predicted conflict for lower status stakeholders as firm status increases). However, the results for cooperation are counter to our expectations with lower status stakeholders exhibiting larger gains in cooperation than their higher status counterparts. It seems that the negative impact of status climbing is exclusively found in higher incidence of conflict with low-status stakeholders and not on lower levels of cooperation. This finding, while unexpected, highlights the importance of separately considering cooperation and conflict as dependent variables when pursuing this kind of disaggregated analysis.

Hypothesis 5 suggests that the benefits of higher status should be higher in countries with weak rule of law.

Table 3. Split-Sample Results by Strength of Rule of Law

Rule of law	DV = Stakeholder Cooperation toward firm			DV = Stakeholder Conflict toward firm		
	(1) All	(2) Weak	(3) Strong	(4) All	(5) Weak	(6) Strong
Firm status	4.500*** (0.572)	5.627*** (0.714)	−2.309* (0.959)	−3.813*** (0.633)	−4.496*** (0.770)	−1.151 (0.968)
Firm status × Stakeholder type = Economic	1.649** (0.567)	2.414*** (0.645)	7.497*** (0.934)	8.234*** (0.821)	8.774*** (0.873)	7.495*** (1.488)
Firm status × Stakeholder type = Other	−4.153*** (0.757)	−1.033 (0.840)	−9.869*** (1.148)	4.013*** (0.672)	4.513*** (0.704)	4.978*** (0.949)
Firm access to structural holes	−1.244 (1.875)	1.198 (2.241)	−16.045*** (3.086)	−15.366*** (2.913)	−1.540 (3.313)	−3.149 (4.376)
Stakeholder status (percentile within type)	0.377*** (0.071)	0.471*** (0.077)	−0.257* (0.119)	0.258*** (0.063)	0.153* (0.065)	0.262** (0.094)
Firm status × Stakeholder status	−2.575*** (0.283)	−2.209*** (0.330)	−0.489 (0.464)	−1.189*** (0.312)	−0.632 (0.339)	−1.181** (0.432)
Firm centrality	0.300*** (0.061)	0.199*** (0.080)	−0.154 (0.120)	−0.733*** (0.070)	−0.479*** (0.085)	0.552*** (0.115)
Stakeholder centrality (percentile within type)	−6.943*** (1.067)	−6.713*** (1.213)	−10.180*** (2.309)	−1.821 (1.336)	−1.254 (1.392)	−6.988** (2.328)
Firm access to structural holes × Firm centrality	−0.307*** (0.062)	−0.201* (0.082)	0.148 (0.122)	0.748*** (0.071)	0.483*** (0.087)	−0.547*** (0.117)
Firm access to structural holes × Stakeholder centrality	7.112*** (1.094)	6.737*** (1.247)	10.557*** (2.357)	1.891 (1.372)	1.304 (1.431)	7.184** (2.382)
Firm access to structural holes × Stakeholder type = Economic	−3.434* (1.562)	−7.147*** (1.803)	2.351 (2.140)	−7.453* (3.081)	−11.646*** (3.295)	−13.959* (5.764)
Firm access to structural holes × Stakeholder type = Other	−3.132 (3.350)	0.146 (3.782)	−11.414* (5.181)	−31.459*** (3.144)	−37.970 (3.263)	−16.224** (4.880)
Gold price	−0.000 (0.000)	−0.002*** (0.000)	−0.000 (0.000)	0.003*** (0.000)	0.003*** (0.000)	0.004*** (0.000)
Voice	0.636*** (0.057)	0.626*** (0.073)	0.825*** (0.105)	0.399** (0.059)	−0.040 (0.092)	0.365** (0.107)
Rule of law	−0.472*** (0.065)	−0.827*** (0.132)	−0.600*** (0.100)	−0.824*** (0.079)	−0.091 (0.151)	−0.562*** (0.128)
Distance from Toronto	0.000*** (0.000)	0.000*** (0.000)	−0.000*** (0.000)	0.000*** (0.000)	−0.000*** (0.000)	0.000*** (0.000)
Mine status = Feasibility	−0.243*** (0.069)	−0.059 (0.091)	−0.436*** (0.093)	−0.864*** (0.070)	−0.708*** (0.098)	−0.848*** (0.113)
Mine status = Construction	−0.612*** (0.076)	−0.459*** (0.101)	−1.421*** (0.118)	−0.741*** (0.070)	−1.018*** (0.092)	−0.289* (0.125)
Mine status = Production	−0.624*** (0.129)	−0.885*** (0.161)	−0.907*** (0.157)	−1.054*** (0.135)	−1.641*** (0.156)	−1.586*** (0.212)
Ratio of media coverage in global media for firm	0.455*** (0.085)	0.259** (0.100)	0.302** (0.107)	0.311*** (0.068)	0.334*** (0.071)	0.273*** (0.078)
Ratio of media coverage in global media for stakeholder	0.096 (0.058)	0.160* (0.066)	0.256*** (0.068)	−0.080 (0.043)	−0.114* (0.045)	−0.088 (0.045)
Ratio of media coverage in press releases for firm	−0.074 (0.091)	0.548*** (0.115)	−0.579*** (0.112)	0.052 (0.087)	0.172 (0.097)	0.264** (0.102)
Ratio of media coverage in press releases for stakeholder	0.210** (0.062)	0.158 (0.081)	0.337*** (0.068)	−0.241*** (0.066)	−0.326*** (0.073)	−0.211** (0.072)
Stakeholder type = Economic	3.637* (1.485)	7.012*** (1.714)	−3.672 (2.130)	5.983* (2.912)	9.926** (3.121)	12.218* (5.525)
Stakeholder type = Other	3.861 (3.198)	0.194 (3.621)	13.478*** (5.001)	30.136*** (3.000)	36.219*** (3.114)	14.921** (4.715)
Year indicator variables	Yes	Yes	Yes	Yes	Yes	Yes

Table 3. (Continued)

Rule of law	DV = Stakeholder Cooperation toward firm			DV = Stakeholder Conflict toward firm		
	(1) All	(2) Weak	(3) Strong	(4) All	(5) Weak	(6) Strong
Constant	3.269 (1.883)	−0.401 (2.230)	20.155*** (3.118)	15.855*** (2.775)	4.113 (3.076)	4.699 (4.232)
σ_μ	1.372*** (0.019)	1.280*** (0.025)	1.277*** (0.021)	0.940*** (0.020)	0.900*** (0.023)	0.675*** (0.023)
σ_ϵ	1.326*** (0.009)	1.452*** (0.013)	1.281*** (0.011)	1.124*** (0.010)	1.140*** (0.011)	1.101*** (0.011)
ρ	0.517 (0.009)	0.437 (0.012)	0.498 (0.011)	0.412 (0.013)	0.384 (0.015)	0.272 (0.016)
N	19,942	12,838	14,608	13,870	11,918	9,673
Firm-stakeholder dyads	9,204	6,509	6,642	6,449	5,456	4,599

Note. *t* statistics in parentheses. **p* < 0.05; ***p* < 0.01; ****p* < 0.001.

Figure 1. (Color online) Predicted Change in Stakeholder Cooperation as Firm Status Increases by Stakeholder Status and Rule of Law, Political Stakeholder

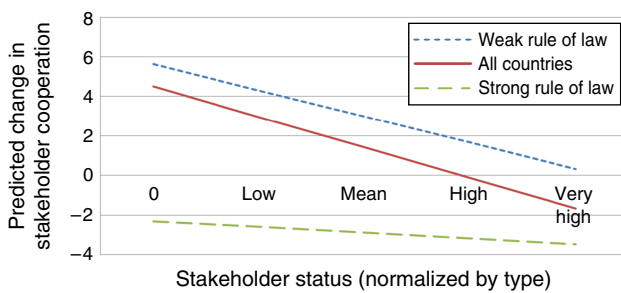


Figure 2. (Color online) Predicted Change in Stakeholder Cooperation as Firm Status Increases by Stakeholder Status and Rule of Law, Economic Stakeholder

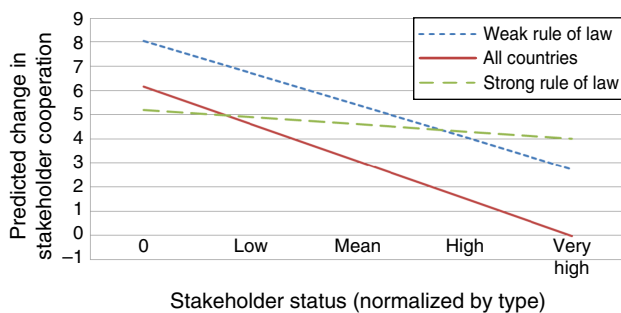


Figure 3. (Color online) Predicted Change in Stakeholder Cooperation as Firm Status Increases by Stakeholder Status and Rule of Law, Other Stakeholder

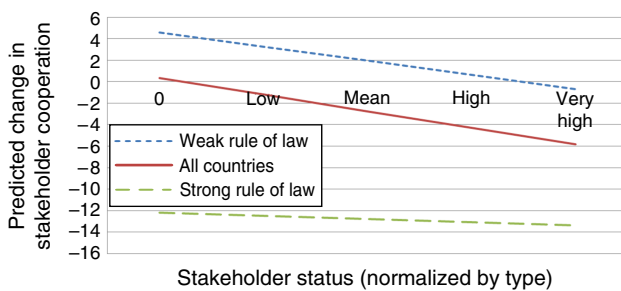


Figure 4. (Color online) Predicted Change in Stakeholder Conflict as Firm Status Increases by Stakeholder Status and Rule of Law, Political Stakeholder

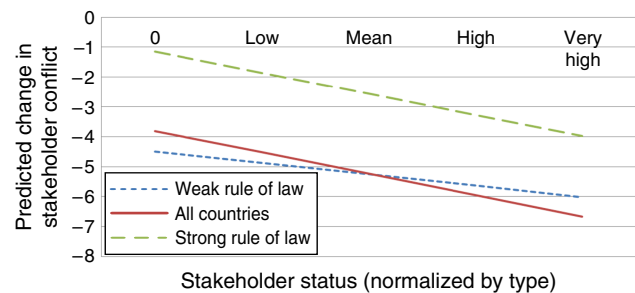


Figure 5. (Color online) Predicted Change in Stakeholder Conflict as Firm Status Increases by Stakeholder Status and Rule of Law, Economic Stakeholder

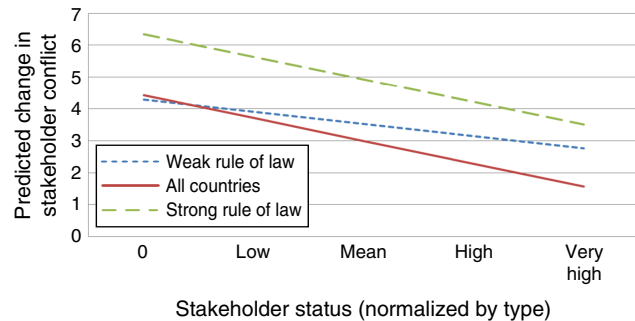


Figure 6. (Color online) Predicted Change in Stakeholder Conflict as Firm Status Increases by Stakeholder Status and Rule of Law, Other Stakeholder

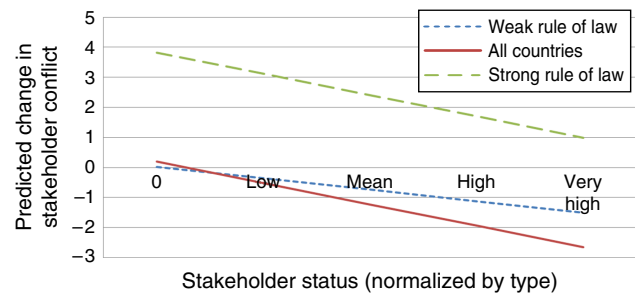


Figure 7. (Color online) Predicted Change in Cooperation as Firm Access to Structural Holes Increases by Stakeholder and Firm Centrality and Rule of Law, Political Stakeholders

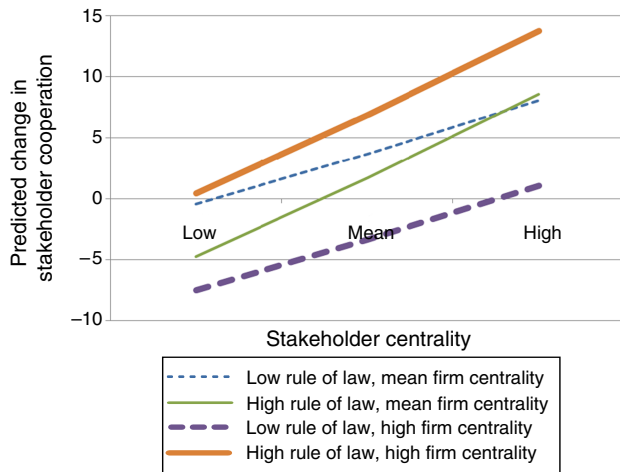
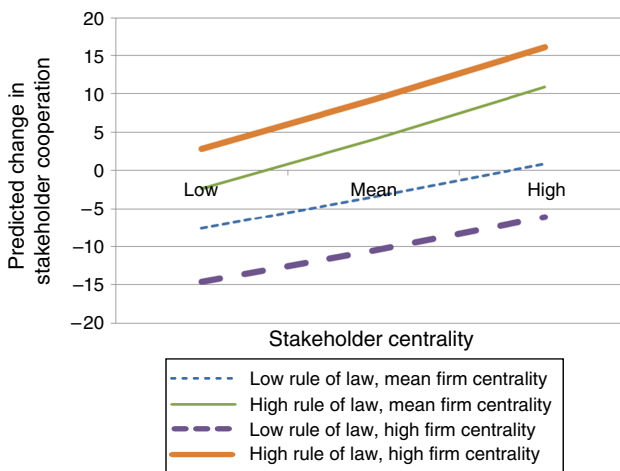


Figure 8. (Color online) Predicted Change in Cooperation as Firm Access to Structural Holes Increases by Stakeholder and Firm Centrality and Rule of Law, Economic Stakeholders



We find strong support for this hypothesis as predicted gains in cooperation are higher for all stakeholders in countries with weak rule of law (with the exception of very high-status economic stakeholders). Similarly, the predicted level of conflict is lower for all stakeholders in countries with a weak rule of law when compared to a strong rule of law.

Hypothesis 6 suggests that the moderating role of stakeholder status should be contingent on the rule of law. The test for this hypothesis lies in a comparison of the slope of the weak rule of law to strong rule of law schedules. Specifically, the slope of the schedules with respect to stakeholder status should be steeper for predicted cooperation in weak rule of law countries and less steep for predicted conflict. We find strong support for this hypothesis in each schedule on Figures 1–6.

Figure 9. (Color online) Predicted Change in Cooperation as Firm Access to Structural Holes Increases by Stakeholder and Firm Centrality and Rule of Law, Other Stakeholders

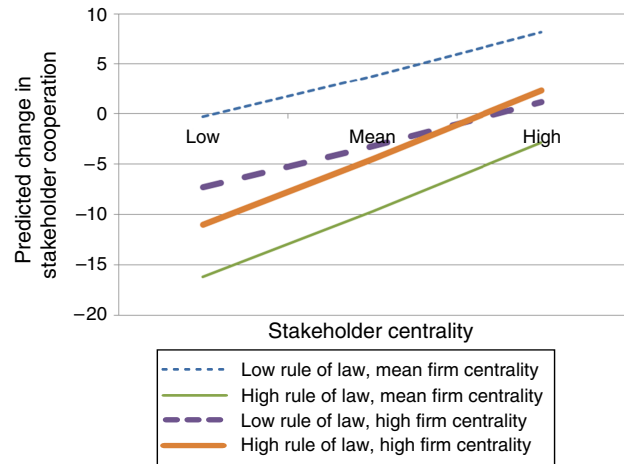
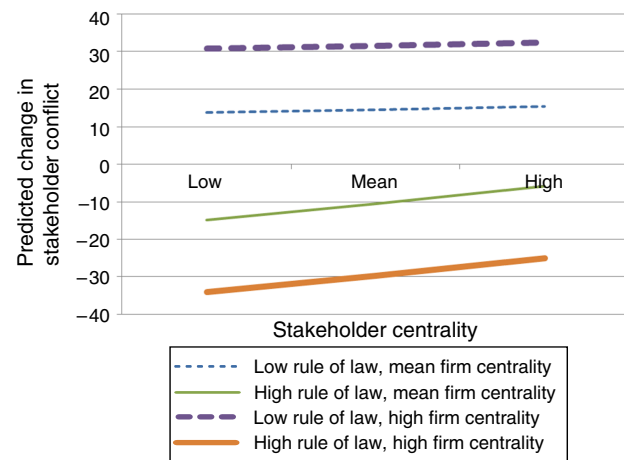


Figure 10. (Color online) Predicted Change in Conflicts as Firm Access to Structural Holes Increases by Stakeholder and Firm Centrality and Rule of Law, Political Stakeholders



Next, we turn to Figures 7–12 to explore support for Hypotheses 2, 4A, 4B, and 7. Hypothesis 2 predicts that a firms' access to structural holes should enhance cooperation and reduce conflict while Hypotheses 4A, 4B, and 7 suggest that this relationship is contingent upon the level of firm and stakeholder degree centrality and the rule of law.

Hypothesis 2 suggests that we should observe predicted increases in cooperation and reductions in conflict when firms improve their access to structural holes. The empirical results do not support this hypothesis in the full sample of countries but are strongly supportive in countries with strong rule of law for increasing cooperation with political and economic though not other stakeholders and for reducing conflict with all stakeholders.

As firm centrality increases, the benefits of access to structural holes for cooperation with all stakeholders declines in countries with weak rule of law but

Figure 11. (Color online) Predicted Change in Conflicts as Firm Access to Structural Holes Increases by Stakeholder and Firm Centrality and Rule of Law, Economic Stakeholders

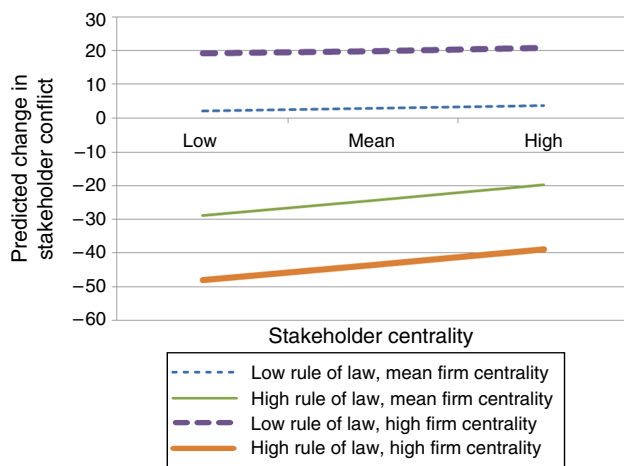
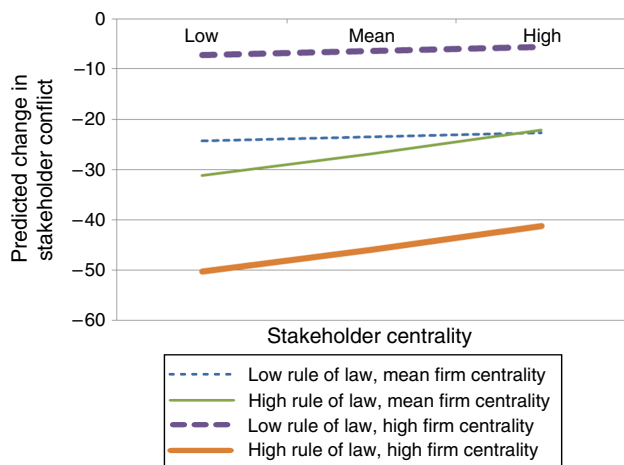


Figure 12. (Color online) Predicted Change in Conflicts as Firm Access to Structural Holes Increases by Stakeholder and Firm Centrality and Rule of Law, Other Stakeholders



increases in countries with strong rule of law. Similarly, predicted conflict increases in countries with weak rule of law and declines in countries with strong rule of law. As stakeholder centrality increases, the benefits of access to structural holes for cooperation increases for all stakeholders regardless of the strength of the rule of law while predicted conflict increases modestly in countries with strong rule of law. When considering the mixed support for Hypotheses 2, 4A, and 4B, it is important to note that Hypothesis 7 proposed that the positive impact for predicted cooperation and negative impact on predicted conflict should be higher where the rule of law is relatively strong. Considering the three hypotheses together, we find strong support for our theoretical arguments albeit with a more important conditional role for the rule of law than in the case for status climbing. In other words, stakeholder engagement strategies focused on whom you know enhance

cooperation and reduce conflict at the mean but this benefit is moderated for certain classes of stakeholders and in countries with stronger rule of law. However, strategies focused on what you know are *only* beneficial in countries with strong rule of law. Furthermore, as firm centrality increases, the negative consequences of bridging in weak rule of law countries (i.e., lower cooperation and higher conflict) are magnified as are the positive consequences of bridging (i.e., higher cooperation and lower conflict) in strong rule of law countries. As stakeholder centrality increases, we also find that the predicted levels of conflict increase in countries with strong rule of law. The only result that runs contrary to our predictions is the positive impact of stakeholder centrality on the magnitude of the predicted gains to cooperation for bridging, which holds for all stakeholders in both weak and strong rule of law countries.

For the purposes of testing Hypotheses 5–7, we focused on the rule of law because it was the measure of the institutional environment that seemed to possess the strongest match to our theoretical arguments regarding altering the relative benefits of association with high-status actors and objective information. However, many dimensions of the institutional environment are highly correlated (Berry et al. 2010) and have been shown to impact development (Henisz 2000, Knack and Keefer 1995). In supplementary analysis, we examined the robustness of our analysis to using plausible alternative measures including control of corruption, government effectiveness, political stability, regulatory quality, and the level of economic development. Across these alternative models, the basic patterns we reported here using the rule of law were relatively consistent if less economically and statistically significant. For several of the alternative measures, the sample excluding the bottom quartile failed to converge. We also rotated these measures into our primary specification one by one to insure the robustness of our results to the inclusion of these alternative measures. Our results were robust to each of these alternative specifications.

Discussion

We find strong evidence for our theoretical premise that multinational firms seeking to overcome the liability of foreignness face important tradeoffs in their choice of stakeholder engagement strategies: focus on *whom* they know by associating with high-status stakeholders or emphasize access to information (*what* they know) by bridging ties in the local stakeholder network? For each of these strategies, the benefits are contingent both upon characteristics of the stakeholder with whom they seek to have a cooperative relationship but also, and more importantly, on the characteristics of the institutional environment of the host country.

We show that where the rule of law is weak, the strategy of status climbing appears favorable as compared to bridging. Status climbing is always more effective in eliciting cooperation from and avoiding conflict with high status stakeholders than with low-status stakeholders. In countries with weak rule of law, the predicted increases in cooperation and decreases in conflict with high-status stakeholders are even larger in magnitude. In countries with strong rule of law, these benefits are more modest, but still largely present. The moderating role of the rule of law is even stronger when we consider the net benefits of bridging strategies. The impact of accessing information for enhancing cooperation and reducing conflict with stakeholders is only evident in countries with strong rule of law, where we also observe a moderating role of firm and stakeholder centrality. In countries with weak rule of law, efforts to secure bridging positions in order to gain access to valuable information appear to backfire for most observed combinations of firm and stakeholder centrality.

Taken together, these results suggest that multinational firms focus their stakeholder engagement strategies on bridging ties (enhancing what they know) in countries with strong rule of law and on status climbing (enhancing whom they know) in countries with weak rule of law. Of course, this prediction is complicated by the fact that multinational managers make their stakeholder engagement strategies at the onset of investments that may have lifespans of more than a decade. Over this time, the institutional environment may shift with either improvements or deteriorations in the rule of law. Considering such possibilities, farsighted managers should hedge against institutional change by adopting hybrid approaches that combine status climbing with strategies of bridging structural holes.

An important contribution of our analysis to the multinational management literature is the extension of the construct of distance, typically conceptualized as the geographical or institutional distance between a home and host country, to consider distance between the status of a firm and the status of its individual stakeholders within a given sector or in a given country. Prior analysis has also largely focused on distance between countries or their institutional environments rather than distance between the firm and stakeholders within a country. While country-level variation in institutional characteristics is certainly critical for a multinational firm to manage, the ability to manage variation within a country—including within the network of interconnected stakeholders—is also critical to success. Furthermore, our analyses and results show important differences across political, economic and social stakeholders, which introduces another dimension of variation consistent with prior research showing that

different types of stakeholders or audiences evaluate new entrants versus incumbents differently (Cattani et al. 2014).

A further extension to the analysis presented here would introduce variation in the institutional environment of the home country. In such an analysis, firms from countries with weak rule of law might have a comparative advantage in building and maintaining cooperative relationships with high status actors and avoiding conflict with their low status counterparts as compared to multinationals from high rule of law countries. Analogously, multinational corporations from high rule of law countries might have a comparative advantage in obtaining information through bridging ties and avoiding competitive rivalry as compared to multinationals from low rule of law countries. One could further imagine introducing variation across multinational corporations in their status (e.g., some firms possess a stronger brand or global reputation) or local information (e.g., some firms may at the time of entry already possess greater local information gleaned through affiliated firms, firms with which they are connected via alliance or firms with whom they are interlinked via boards of directors).

While such additional complexity will no doubt offer insight, we focused on multinational corporations that were more homogenous and used our media-based stakeholder coding to generate novel and original insights into a fundamental challenge of multinational management, managing distance between stakeholders in a single host country. Firms' efforts to elicit cooperation and reduce conflict with one group (i.e., high-status stakeholders) may undermine cooperation and enhance conflict with other more distant groups (i.e., low-status stakeholders) particularly in countries with strong rule of law. While distance can pose a threat, so can proximity or competitive rivalry. Firms' efforts to position themselves in structurally advantageous brokerage positions to gain novel combinations of information are extremely effective in enhancing cooperation and reducing conflict in countries with strong rule of law but elicit strong backlash (i.e., reduced cooperation and increased conflict) from stakeholders who perceive that their resources or information stocks are threatened or devalued in countries with weak rule of law.

An important question to consider is the generalizability of these results beyond the specific context of stakeholder engagement strategies of multinational entrants. Our results are drawn from an industry (i.e., gold mining) with particularly long-lived investments but in a segment of that industry (i.e., small cap mining firms) with much shorter time horizons. The generalizability of our findings across industry segments and industries is an important topic for future research. The tradeoffs we explore here could also be relevant for firms diversifying into new business segments, entrepreneurs seeking to break into an existing

or create a new market, actors or organizations seeking to increase their perceived quality or competitive position and managers newly hired into an organization at low to mid-levels of the organizational hierarchy. The common thread in these examples is the incentive of the new or unknown focal actor to overcome gaps in reputation and information by building a portfolio of mutually beneficial relationships with stakeholders.

Dahlander and McFarland (2013) consider a similar tension but set their analysis in the very different context of academic collaboration at Stanford University. In their setting, all actors (i.e., academics) are of relatively high status given their position as Professors at an elite research institution. Within this relatively homogenous sample, the authors argue and find that the tie formation process is driven by assortative matching (i.e., differences in observable characteristics helps rather than hinders relationship strengthening). This competing argument and evidence highlight an important potential boundary condition for the generalizability of our analysis. Whereas peer academics (or actors or organizations more broadly) may need to navigate an important tradeoff between assortative matching and the returns generated by such relationships, more heterogeneous actors or organizations navigate a different tradeoff between reputation building and information gathering on the one hand and maintaining strong enduring cooperative relationships with those stakeholders on the other hand. The common thread that links the two manuscripts is the observation that the causal drivers of relationship formation may fundamentally differ from relationship strength or quality and that, given the importance of both outcomes to many actors and organizations, academics should devote greater efforts to understanding these and other related tradeoffs rather than artificially segmenting their analysis to examine one outcome or the other. Together, their analyses and ours provide important micro-level mechanisms that should be included in theoretical and empirical models of endogenous network dynamics (Burk et al. 2007, Mercken et al. 2005, Snijders et al. 2010, Steglich et al. 2010).

In addition to this important caveat regarding generalizability and the potential need to broaden the scope of mechanisms under study in certain contexts, our analysis is subject to a host of additional possible concerns. Our use of media articles introduces several points of possible bias. One important limitation of note are the unobservable events created in informal networks and connections that happen behind closed doors, which, because they are not reported in the media, cannot be taken into account in this data set. Although these informal events are important to network dynamics (Balkundi and Kilduff 2006), we do not regard this issue as problematic because the informal events often lead to tangible outcomes (e.g., the

formation of visible alliances, the expression of support, the awarding of grants and permits, etc.), which are likely to be reported in the media and therefore captured in our data set. The formal network portrayed in the media reflects the outcomes of underlying informal ties and connections, so we feel confident that our coding effort resulted in fairly accurate representations of the relationships between our focal firms and their stakeholders and between stakeholders themselves.

Our database of stakeholder events also cannot capture the inherent motivations of the actors nor the full richness of their interactions and their structural positions in the stakeholder network. But because firms are unlikely to have first-hand knowledge of the motivations of stakeholders in practice, the absence of an understanding of the underlying motivations is inherent to any host-country environment and is therefore an intrinsic unknown variable in any stakeholder management strategy. The choice by stakeholders of what activities to undertake with other stakeholders is, however, an important omission from our analysis as is the consideration of common third party ties and other more complex structures that link them together.

In addition, as media reportage is limited by cultural and cognitive bias (Zelner et al. 2009), broad generalization across different country environments is limited. However, because our TSX-derived sample includes gold mines in 20 countries, our findings may be more generalizable across different country contexts. Whereas the use of articles written in the spoken language of each country and published by (often smaller) local newspapers may provide more accurate understandings of stakeholder interactions and also more detailed and nuanced stakeholder interactions, we are limited by language to the use of only English articles or articles translated into English before posting onto FACTIVA. Nonetheless, given the magnitude of these mines relative to the Gross Domestic Product (GDP) of the host countries and the high potential profits investors aspire to, we would argue that the combination of translated national, international, and industry media provides sufficient coverage of stakeholder interactions to partially mitigate concerns about national media bias or censorship.

Together these limitations in our current analysis suggest exciting opportunities for future research beyond the aforementioned expansion across industry segments and industries. First, a sample in which multinational entrants exhibit greater diversity including poorly regarded outsiders and peers would allow for an examination of the boundary condition between the mechanisms identified in Dahlander and McFarland (2013) and our analysis. Second, an empirical context in which multiplex ties could be considered together ranging from more to less formal (e.g., examples of the latter would include interactions or relationships that were captured in social media, stakeholder opinion

surveys, phone calls, and emails) would allow for the exploration of the sensitivity of the relationships across more public ties or interactions and more tacit or hidden structures. Third, one could analyze the types of activities and sequence of intervening interactions both initiated by the stakeholders and in the form of exogenous shocks that lead to more cooperativeness. Common third-party ties or other dependencies, including triadic structures, could also be incorporated into the analysis. A research agenda that addresses these questions would build on the tradeoff identified here and offer substantial insight to academics seeking to leverage network theory in strategic management and practitioners seeking to leverage networks of relationships to support the creation of shareholder or shared value.

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Appendix A. Coding Protocol for Event Data

COMPANYID. Unique firm identifier.

COMPANYNAME. Enter the parent company name. This field can only contain one of the 38 publicly traded parent companies that make up our sample.

MINE. Enter the mine name. This field can only contain one of the 26 mines owned by one of the 19 publicly traded parent companies that make up our sample.

RDAY. Locate the day of the report in the byline or other header text.

RMONTH. Locate the month of the report in the byline or other header text.

RYEAR. Locate the year of the report.

EDAY. Identify the day of the event using the byline or the other header text in conjunction with the context of the article (e.g., three years ago...)

EMONTH. Identify the month of the event using the byline or the other header text in conjunction with the context of the article (e.g., three months ago...)

EYEAR. Identify the year of the event using the byline or the other header text in conjunction with the context of the article (e.g., three years ago...)

NEWSSOURCETYPE. Note the type of news source. Common examples include print media, TV transcript, company press release, stakeholder press release,...

NEWSOURCE NAME. Note the specific name of the news source (e.g., New York Times, Market Wire).

ONEWSSOURCETYPE. For rebroadcast or retransmitted reports, note the original type of news source. Common examples include print media, TV transcript, company press release, stakeholder press release,

ONEWSSOURCENAME. For rebroadcast or retransmitted reports, note the original name of the news source (e.g., New York Times, Market Wire,...).

SENTENCE. Provide the full text of the sentence that includes the event

INDIRECTREPORTERTITLE. In cases where the news source lists a third party individual as the source for the news, identify this entity. “Jim Jones, CEO of Greenpeace today announced that XYZ corporation spilled toxic materials into the river.” The **INDIRECT REPORTERTITLE** field should equal CEO.

INDIRECTREPORTER. In cases where the news source lists a third party individual as the source for the news, identify this entity. For example, in the sentence “Jim Jones of Greenpeace today announced that XYZ corporation spilled toxic materials into the river.” The **INDIRECT REPORTER** field should equal Jim Jones.

INDIRECTORGANIZATION. In cases where the news source lists a third party organization as the source for the news, identify this entity. For example, in the sentence “Jim Jones of Greenpeace today announced that XYZ corporation spilled toxic materials into the river.” The **INDIRECT REPORTER** field should equal Greenpeace.

VERB. Locate the event verb

Identify all verbs within the sentence.

Determine which verb appears in the main clause; this verb will convey the main event or activity of the sentence. Note that implied and/or secondary verbs may exist within a single sentence but should not be substituted for or combined with the main verb event coding.

Record the literal value of the verb or verb phrase

VERBINFINITIVE. Record the infinitive of the verb or verb phrase that conveys the main event or activity of the sentence. For example, in the case of “Goldfields Corporation is pleased to announce the release of the report,” the **VERBINFINITIVE** is “announce” as this action best conveys the main event or activity of the sentence.

SOURCEPHRASE. Locate the source (i.e., initiating) actor.

Locate the subject of the main clause of the sentence to be coded. This is, almost always, the source (i.e., initiating) actor.

The source (i.e., initiating) actor is the “who” of the sentence; that is, the person, place or thing that takes the action within a sentence.

The initiating actor in the main clause will, generally, appear at the beginning of the sentence.

Record the entire noun phrase occurring in the subject position as the literal, “source value.”

Note that passive voice sentences are constructed without source actors; therefore it is possible that no source exists in the report being coded.

If a single sentence references two subjects, it should be entered into two rows.

SOURCETYPE. Identify the type of the source if applicable. Examples include “report of,” “comment by,” “speech of,” “statement of”

SOURCETITLE. Identify the title of the source if applicable. Examples include CEO, VP, or Senator. Provide literal text. May be blank.

SOURCEORG. Identify the organization of the source if applicable. Examples include XYZ Corporation, Romanian government or Greenpeace. Provide literal text. May be blank.

TARGETPHRASE. Locate the target (i.e., recipient) actor

Locate the object of the main clause of the report to be coded. The object, if present, is the target (i.e., recipient) actor

of the event. The target may be an indirect or direct object. It may be a person, place or thing.

Record the entire noun phrase occurring in the direct or indirect object position as the literal, “target value.”

Note that many sentences are constructed without targets; therefore, it is possible that no target exists in the sentence being coded.

If a single sentence references two objects, it should be entered into two rows.

TARGETTYPE. Identify the type of the target if applicable. Examples include “report of,” “comment by,” “speech of,” “statement of”

TARGETTITLE. Identify the title of the target if applicable. Examples include CEO, VP of Commercial Affairs, or Senator. Provide literal text. May be blank.

TARGETORG. Identify the organization of the target if applicable. Examples include XYZ Corporation, Romanian government or Greenpeace. Provide literal text. May be blank.

ISSUE CONTEXT (Additional information regarding the context to which the event data pertains where helpful. Examples include environment, corruption, wages or property acquisition).

Appendix B. Examples of Coding

Sentence text	Source (i.e., subject)	Verb(s)	Target(s) (i.e., object(s))	Conflict-Cooperation category	Conflict-Cooperation scale
ASG Chairman Stephen Everett also praised RAMSI and local police and thanked the Solomons government for its positive support	ASG Chairman Stephen Everett	Praise; Thank	Local Police; Solomons Government	[Express support verbally]	13
On September 14th 2007, President Nursultan Nazarbayev of Kazakhstan ceremonially kicked off the process of extracting gold and copper ore at the Varvarinskoye deposit. He was quoted as saying that this mine is one of many enterprises in the region that will “build up the power of Kazakhstan’s economy.”	President Nazarbayev	Ceremonially kicked off	Varvarinskoye deposit [owned by European Minerals Corporation]	[Show support through action]	14
[George] Salamis [President of Rusoro, Russian firm] shied away from commenting directly on the importance of Rusoro’s Russian component but instead said: “We wouldn’t be anywhere in Venezuela if it weren’t for the great connections we’ve built with the Venezuelan government at all levels.”	Salamis—President of Rusoro	Build connections	Venezuelan government	[Build positive events with]	13
Kabila’s government is fighting for its survival as rebels backed by neighboring Rwanda and Uganda have pushed their way westward toward the capital city of Kinshasa. Zimbabwe and Angola are supporting Kabila with arms and troops	Kabila’s government	Fight for survival	Rebels	[Opposed in active military conflict]	1
Kabila’s government is fighting for its survival as rebels backed by neighboring Rwanda and Uganda have pushed their way westward toward the capital city of Kinshasa. Zimbabwe and Angola are supporting Kabila with arms and troops	Rwanda government; Uganda government	Back	Rebels	[Support in active military conflict]	20
Kabila’s government is fighting for its survival as rebels backed by neighboring Rwanda and Uganda have pushed their way westward toward the capital city of Kinshasa. Zimbabwe and Angola are supporting Kabila with arms and troops.	Zimbabwe government; Angola government	Support with arms	Kabila	[Support in active military conflict]	20

Appendix C. Degree of Cooperation or Conflict Scale

Level of cooperation or conflict	Category details
1	Violent attack w/ actual or potential/intended deaths or serious injury
2	Threaten to violently attack w/ actual or potential/intended deaths or serious injury
3	Restrain, imprison, hold against will, blockade, arrest, expel, capture, sequester
4	Financially undermine deploy financial resources against (including sale of financial position at or below market price)
5	Threaten to financially undermine threaten/offer financial resources against (including sale of financial position at or below market price)
6	Oppose, veto, impose, force, break, halt, reject, flee, default on obligation, rally in opposition, overturn, lose, national political decision in opposition (e.g., Supreme Court, Parliament, President...)
7	Investigate, demand, alert, restrict, repeal of administrative, local or regional supportive policy
8	Deny, complain, criticize, denounce, negative comment, reject, accuse
9	Call for action, request assistance against, request information on
10	Neutral statement of fact
11	Yield, comply, solicit, request assistance with, vote for, am encouraged by
12	Mediate, agree, travel to meet, engage, offer, positive comment
13	Host, praise, empathize, apologize, forgive, assure, thanked
14	Agreement or receipt/provision of information
15	Rally in support, ratify, win election, policy decision in support (e.g., Supreme Court, Parliament, President...)
16	Offer financial support/defense/protection (including acquisition of a financial stake at market price or above)
17	Provide financial support/defense/protection (including acquisition of a financial stake at market price or above)
18	Relax/ease major financial or security penalty/sanction/constraint
19	Offer armed support/defense/protection
20	Provide armed support/defense/protection

Endnotes

¹<https://www.independent.co.uk/news/world/europe/the-heavy-price-of-greek-gold-8724744.html>.

²TSX Mining Sector Sheet (as of October 12, 2011, http://www.tmx.com/en/listings/sector_profiles/mining-pdac.html).

³FACTIVA comprises over 28,000 information sources from over 157 countries as well as almost 600 continuously updated newswires of which 147 specifically cover the global “Metals and Mining” sector.

⁴We assembled the data set with the help of a number of undergraduate research assistants who underwent extensive training under our guidance and close supervision. To assess the level of interrater agreement (IRA)—that is, the level of similarity between different coders’ judgments and the extent to which their work can be considered interchangeable—our research assistants overlapped in the coding of a subset of the articles in our sample. We used this overlap to assess interrater agreement on 313 different items, where one “item” is the level of cooperativeness between two stakeholders in a given three-month period. We computed multiple IRA indices used extensively in organizational research, specifically the r_{WG} , AD_M , AD_{Md} , and a_{WG} (see LeBreton and Senter 2008 for complete definitions and formulas used to compute each index). Regardless of the IRA measure used, we observed a very satisfactory level of interrater agreement for the vast majority of the 313 items assessed. For 284 items the level of interrater agreement as measured by r_{WG} exceeded 0.70, the value most scholars interpret as indicating agreement. Over the 313 items evaluated, the mean of r_{WG} is 0.86 and the standard deviation is 0.27. Similarly, for a_{WG} —an index that adjusts r_{WG} in a way that does not allow the scale and the number of judges to affect the results—the mean was 0.80 and the standard deviation was 0.09. Using the average deviation from the mean (AD_M) and the average deviation from the median (AD_{Md}) indices that have been increasingly used in applied psychology and management over the last decade we obtained an equally satisfactory level of interrater agreement. Because this class of indices measures dispersion, lower values indicate higher agreement, and the results can be interpreted

on the original scale. For our interrater data, the AD_M and AD_{Md} had means of 0.77 and 0.72, respectively, and standard deviations of 1.02 and 0.99, respectively, on a scale of 1 to 20.

⁵In collaboration with Doug Bond (see Bond et al. 2003) and collaborators at Harvard University, we altered slightly the original Goldstein (1992) scale to make it applicable in a business context. For example, we allowed the verb “liquidate” to have both physical and financial meanings whereas the original scale assumed its meaning was equivalent to kill or eliminate by violent means. These changes were identified and implemented by Bond and collaborators and shared with the authors.

⁶The sociometric data comprises all reported interactions between all media-relevant actors within the host-country environment during a given year (i.e., it also includes stakeholder-stakeholder interactions mentioned in the corpus of articles). Our focus here, however, is on the evolution of relationships between firms and their stakeholders, so we measure both dependent variables using only interactions including the focal firm, thus excluding dyadic interactions between stakeholders, though we incorporate these interactions between stakeholders within some of our independent variables.

⁷Subsamples divided at the mean failed to converge.

⁸<http://www.indo.com/distance/index.html>.

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