TREY SUTTON
RESEARCH STATEMENT

I research the interactions between firms and their stakeholders, especially nonmarket stakeholders such as governments, social movements, and the media. This work fits into two related streams of research that I will discuss separately.

Institutions and the Nonmarket Environment

One stream of research explains how nonmarket stakeholders affect firms via institutions and how firms attempt to influence nonmarket stakeholders. We know that firms attempt to influence government, but we lack a clear explanation of how firms allocate resources to do so. For example, most prior work in resource dependence theory treats dependence and uncertainty as moving in lockstep and predicts that political activity increases as dependence increases. However, we readily observe exceptions to these predictions. Exxon is highly dependent on Texas, for example, but it routinely more spends more on political activity in other states on which it is less dependent. In an article recently accepted at the *Academy of Management Journal*, we clarify the relationship between dependence and uncertainty, and then apply Milliken's (1986) uncertainty typology to explain how different *types* of uncertainty affect the relationship between dependence and political action in opposite ways. Some uncertainty actually impedes the use of political action to manage a firm's dependence on government.

We also know that firms use nonmarket strategy, which includes political activity, to complement their market strategy, but we know relatively little about how firms do this or how well it works. In a paper published in the *Academy of Management Perspectives*, we explain how corporate entrepreneurship and political strategies both vary based on two features of the legal environment: state funding of research and state protection of intellectual property (IP).

However, my approach to this work has evolved considerably over time. Some of my earlier work ignores the firm's role in shaping institutions and instead explains how firms are affected by various kinds of government action. For example, in an *Africa Journal of Management* paper, my coauthors and I explore the institutional factors influencing cross-border trade within the East African Community (EAC) countries of Burundi, Kenya, Rwanda, Tanzania, and Uganda. In a different paper, DeGhetto, Sutton, and Zorn (2018), we explain the institutional factors leading to what we term born-public ventures: those that are created to pursue government contracts.

In a paper published in *Long Range Planning*, we explain how regulative institutional changes in China influence American firms' decisions to pursue R&D opportunities there. One of the more interesting findings related to how firms responded to the Chinese government strengthening intellectual property protection: Firms with low or moderate levels of experience in China tended to form more R&D partnerships in China, but firms with higher levels of experience did not. The more experienced firms understand how to navigate weak institutional environments, so strengthening such environments is more meaningful to firms with less experience in a country.

Stakeholder Theory and Nonmarket Strategy

My most recent work has incorporated stakeholder theory. I have long had an interest in stakeholder theory, and my interactions with the accomplished stakeholder theorists at the University of Richmond have helped me move in that direction. The stakeholder theory book chapter that I co-authored with one of my colleagues (Bosse & Sutton, 2019) is an example of their willingness to collaborate. That chapter is included in the *Cambridge Handbook of Stakeholder Theory* (Eds. Harrison, Barney, Freeman & Phillips).

I also see a greater need for stakeholder theory to incorporate and explain nonmarket strategy. This topic presents opportunities for important theoretical development precisely because it focuses on problems that are highly relevant to practitioners and perhaps to policy makers. The U.S. and many other societies suffer from a dysfunctional conversation about the effects of markets on society. One vocal group tends to point out the problems of capitalism but overlook the benefits, and their vocal opponents tend to do the opposite. Nonmarket strategy, which can have anti-market consequences that harm stakeholders, explains some of the problems of which capitalism is accused. We have an opportunity to bring much-needed clarity to the conversation.

For example, in our paper "Shareholder Value Creation, Constrained Stakeholder Reciprocity, and Nonmarket Strategy," we explain how some firms use nonmarket strategy to constrain their stakeholders' negative reciprocity. Reciprocity is necessary for a healthy society, and it also serves as a mechanism that connects the normative content of a firm's actions with its economic outcomes. Firms that treat stakeholders well tend to benefit from its stakeholders' positive reciprocity, and firms that treat stakeholders poorly tend to be punished via negative reciprocity. We explain how some firms disrupt this phenomenon by using nonmarket strategy to influence the accuracy or completeness of their stakeholders' knowledge or constrain their stakeholders' ability to reciprocate. This paper is currently under review at the *Journal of Management*.

In another paper, titled "Macro-Nonmarket Strategy and Resource Attenuation," I explain competition in the nonmarket realm by using resource-based theory and stakeholder theory, which have been tightly integrated in recent work (e.g., Barney, 2018; Jones, Harrison, & Felps, 2018). This prior work relates mainly to market competition, but those theories, especially when combined, hold important explanatory power for nonmarket competition. Additionally, because resource-based theory was developed primarily to explain market performance, applying it to what I term macro-nonmarket strategy presents an opportunity to extend resource-based theory. That paper is under review at the *Academy of Management Review*.

Future Work

I expect my future work to continue incorporating stakeholder theory, with and without nonmarket strategy. For example, I am working on a project to explain the competitive implications of a strategy that I refer to as stakeholder resiliency. The planning for that project pre-dates COVID-19, but the pandemic has illuminated the fragility of many stakeholders, even in an advanced economy. This project is an example of what I want my research to be: an effort to distinguish profitable strategies that help stakeholders from those that harm them. We need to explain those distinctions clearly for academics, practitioners, policy makers, and citizens.