

## CORPORATE POLITICAL STRATEGIES FOR WIDELY SALIENT ISSUES

JEAN-PHILIPPE BONARDI  
University of Western Ontario

GERALD D. KEIM  
Arizona State University

Firms use political strategies when attempting to influence public policy decisions. One common assumption is that firms' political strategies will be less effective if the public policy issue has widespread interest among a large segment of likely voters—a "widely salient" issue. We explore how information and reputation cascades, driven by activists or nongovernmental organizations, cause public policy issues to become widely salient. We then discuss how firms can prevent the occurrence of such widespread salience and how they can respond once an issue has become widely salient.

Management scholars have studied actions taken by firms to influence public policy decisions by political actors—"corporate political strategies"—for several decades (e.g., Baron, 2003a; Epstein, 1969; Keim, 2001; Lenway & Rehbein, 1991; Mahon, 1983; Schuler, Rehbein, & Cramer, 2002). An important focus of this research has been identifying contingencies that make a firm's participation in the public policy process more or less successful (e.g., Holburn & Vanden Bergh, 2002; Lord, 2000). One key determinant of corporate political strategy success identified within this literature is the saliency of the issue on which the firm is trying to compete (Hillman & Hitt, 1999; Keim & Zeithaml, 1986; Yoffie, 1987). A premise of the literature is that firms will find it more difficult to advance their own interests if an issue is "widely salient"—that is, it is important to a broad segment of likely voters whose opinions are coalescing around one or two policy options.

Consider an issue that gained wide salience in the United States in 2003. Since the late 1990s, firms such as McDonald's, Nestlé, and Kraft Foods have been blamed for producing food with high fat and sugar content, for offering

artery-clogging fats in some of their biscuits, and for marketing their products in schools. Orchestrated by several consumer groups, the issue was highly publicized in the media, and several experts' reports have linked these products to obesity. Strong public outcry, lawsuits, and a growing threat from government actors to introduce new legislation or regulations have resulted, along with a decline in the market value of the accused firms. Manufacturers have responded by disputing this link, but the issue has remained salient.

Greater issue salience is presumed to necessitate more aggressive political action on the part of firms (Getz, 1997; Yoffie, 1987) and an increased willingness to join in collective action (Hillman & Hitt, 1999). However, while many scholars point to issue salience and the role of activists as key determinants of the choice of political strategy or success thereof (Baron, 2001), little attention has been paid to how issues reach this status. How does an issue become salient to a wide segment of voters? What is the role of interest groups, activists, or nongovernmental organizations (NGOs) in the process leading to widely salient issues? Can a firm prevent an issue from becoming widely salient? When an issue becomes widely salient, how can firms respond? These are central questions we address.

We begin by exploring the process by which political issues become widely salient. We depict the interaction between information and reputation cascades, processes modeled by

---

We presented earlier drafts of this paper at Stanford University's Strategy and the Business Environment conference (2002), the Academy of Management meeting (2002), the Strategic Management Society conference (2002), and a seminar at the University of Western Ontario. We thank participants for helpful comments. We also thank Amy Hillman, Guy Holburn, Tom Donaldson, and the three anonymous reviewers for their feedback and guidance.

scholars when explaining rational herding behavior by individuals. Information cascades, on the one hand, occur when an individual, having observed the actions of others, chooses to follow others' behavior, regardless of personal information possessed, because he or she thinks the others are more knowledgeable (Bikhchandani, Hirshleifer, & Welch, 1992). Imitating the behavior of others in uncertain environments is a central proposition in organizational theory (Cyert & March, 1963; DiMaggio & Powell, 1983). Similarly, we contend that voters in a democracy may have little incentive to become informed about most policy-making issues and therefore may follow the opinions of others (Downs, 1959; Kuran, 1987).

Reputation cascades, on the other hand, apply to individuals who are, or desire to be, specialists on a subject (e.g., experts or reporters). These individuals may follow the behavior of other specialists, potentially going against their private preference, not as a result of ignorance but rather to earn professional and social approval or to avoid professional and social disapproval (Kuran, 1989).

Using these concepts of information and reputation cascades, we show how some groups or activists can be successful in the political arena by creating widely salient issues, and we examine whether firms can employ similar tactics. We then discuss how firms can try to prevent the transformation of a narrowly salient issue into a more widely salient one by other groups or political rivals and explore how firms can react once widely salient issues are created. We show, especially, that timing is key and that successful firms should adopt different political strategies, depending on where the issue stands in the process leading to its saliency.

The remainder of this article is organized as follows. First, we briefly review the existing literature on corporate political strategies referring to widely salient issues. Second, we explain how information cascades among individuals and reputation cascades among experts and reporters can lead to widely salient political issues. We then turn to firm-level strategies and investigate how firms can try to prevent the occurrence of information and reputation cascades, and how they can react when issues have already become widely salient. Theoretical propositions are derived from this analysis. We conclude with a discussion of our

theory as it applies to current thought in corporate political strategy and implications for future research.

## WIDELY SALIENT POLITICAL ISSUES

The emphasis on the degree of saliency for any given political issue, in the management literature, can be traced to Keim and Zeithaml's (1986) work on how various political strategies can be used for salient versus nonsalient public policy issues. More recently, Hillman and Hitt (1999) argued that the key differentiator in saliency is between those issues that become "election issues" and those that are "nonelection issues," the former referring to issues of enough interest to generate election debate. Although Hillman and Hitt's (1999) distinction is a helpful one and one that recognizes that every public policy issue is salient to some likely voters (i.e., there are no "nonsalient" issues), we prefer to distinguish between "widely salient" issues—those public policy issues likely to be of interest to a large segment of likely voters and to receive considerable media attention—and "narrowly salient" issues—those issues of salience to a limited few, often advocated only by organized groups and resolved without public discourse. *Wide salience*, as we use the term, refers to salience of an issue from the perspective of likely voters. When a public policy issue attains a level of wide salience, this also implies a coalescing of voters' opinions around one or two policy options. If voters' opinions are diffused across many different policy options, no one policy is, by definition, likely to be widely salient.

Getz (1997) contends that public issue saliency can explain the intensity of a firm's political activity. Yoffie (1987) argues that firms will tend to adopt a more active leadership position on salient issues. Similarly, Hillman and Hitt (1999) propose that firms will act collectively rather than individually when issues are highly salient. The starting point for all of this work, however, is that issues are either widely salient or not for reasons that are exogenous to the firms' strategies. That is, these authors take the degree of saliency as a given rather than exploring whether or not firms can play a role in this process. Hence, this analysis does not address the process by which issues become widely sa-

lient and how, if at all, firms might participate in it.

### How Issues Become Salient

A widely salient public policy issue as we define it is one that attracts the interest of a wide segment of voters and one where those voters' opinions have coalesced around one or two policy options. A widely salient issue then requires some degree of uniformity in the opinions adopted by individuals in a society. Issues in a presalient state, however, are characterized by either (1) few individuals having an interest in or an opinion about the issue at hand or (2) many opinions about the issue existing but none enjoying widespread support among a large number of voters.

To account for how issues can become salient, it is crucial to first explain how a large group of individuals might choose to become interested in a particular public policy issue and then how these individuals coalesce around one or two options dealing with the issue. This inquiry is similar to research in organization theory on why organizations often pursue similar practices and strategic choices (DiMaggio & Powell, 1983; Oliver, 1991). A fundamental proposition of this line of research, also known as neoinstitutional theory, is that firms choose to imitate others when facing uncertainty (Cyert & March, 1963) and that actors tend to look at the actions of others for clues about which choices they should make (Cialdini, 1993). Decision makers often imitate peers to minimize search costs and to avoid costs of experimentation (Fiske & Taylor, 1991); if a certain opinion prevails among many actors, it is interpreted as being a sensible one, and is therefore imitated.

We contend that a similar mechanism helps us understand the emergence of widely salient public policy issues. A standard assumption in the economics and political science literature regarding voters is that they are rationally ignorant about most political issues (Mueller, 1989). Voters often choose to be ignorant about political issues because the costs of gathering information about numerous complex topics are high relative to the expected benefits. As a result, when they have to decide which policies are important to them and which candidate to vote for, voters are often influenced by what other voters think or plan to do. Similar to the effects

of uncertainty on decision making in neoinstitutional theory, the assumption of rational ignorance explains that an issue may become widely salient because rationally ignorant voters imitate the behavior of others who decide that an issue is threatening or important. This process is called an "information cascade" in the rational choice literature (Bikhchandani et al., 1992).

### Information Cascades and Widely Salient Issues

According to Bikhchandani et al., "An informational cascade occurs when it is optimal for an individual, having observed the actions of those ahead of him, to follow the behavior of the preceding individual without regard to his own information" (1992: 994). These authors show that, in a general setting with sequential choices, at some stage

a decision maker will ignore his private information and act on the information obtained from earlier decisions by others. The next individual draws the same inference from the history of past decisions; thus if his signal is drawn independently from the same distribution as previous individuals', this individual also ignores his own information and takes the same action as the previous individual. In the absence of external disturbances, so do all later individuals (Bikhchandani et al., 1992: 994).

Put simply, the information cascade logic can be explained in a few steps. The first step is that a set of individuals makes a similar decision in sequence—for instance, whether or not to eat at a specific restaurant along a busy tourist avenue. This decision implies a cost in terms of foregone opportunities and the price of food and beverages purchased, but none of the individuals knows for certain what benefits he or she will derive from such a decision. Each has a probability of liking the restaurant choice, based on noisy information he or she receives prior to the decision (e.g., a guide book recommendation).

When the first customer makes a decision, his only source of information is the prior information received. After the first actor chooses, however, there is additional information available to those who have yet to choose—the sight of the first actor going into or eating at the restaurant. The second individual observes what the first

one did, which impacts her probability of choosing, and then she makes her decision. If the signal she gets from the prior individual's actions offsets the information from the signal prior to the game, then she flips a coin to make up her mind. At the time the third individual makes a decision, her own signal may be outweighed by the information she receives from observing the first two choosers, and she may decide to go to the restaurant, regardless of her original signal. A fortiori, the next individuals will all do the same, and a positive information cascade has been generated.

The information cascade process as it pertains to public policy issues often starts with a limited number of individuals, often those in well-organized groups, who undertake efforts to convince less informed others of an issue's importance. If successful, these efforts create the spread of salience. But this process is not overnight, nor does it reflect a sudden collective shift in people's beliefs. Individuals are likely to respond differently to the information they receive. Some rationally ignorant individuals may be convinced immediately by new information, whereas others will remain skeptical. As doubts dissipate among individuals over time, issues become widely salient. The process leading to widespread salience is therefore incremental.

Widely salient issues may also gain local salience first before expanding to a wider phenomenon. For instance, tuna fishing techniques attributed to the killing of dolphins became an issue first in California in the United States, in the 1980s. It took several years before this issue reached national saliency, and only in the early 1990s did U.S. authorities threaten to introduce new legislation and place an embargo on the import of Mexican tuna because of its noncompliance with dolphin-safe fishing methods (Steiger, 2003).

A corollary prediction of both neoinstitutional theory and the information cascade literature is that when individuals find the consequences of a specific opinion about an issue difficult to evaluate, they will look at the number of peers adopting an opinion as a cue about what to do (Palmer, Jennings, & Zhou, 1993). The number of individuals that can be reached by issue information is a critical factor in explaining why some issues and not others become widely salient. Access to a wide segment of individuals is key to creating a successful information cas-

cade and creates an important role for the media in this phenomenon (Kuran & Sunstein, 1999).

The media are major sources of information in modern societies (Iyengar & Kinder, 1987), with millions of likely voters directly influenced by what they read in newspapers or watch on television (Herman & Chomsky, 1988). The definition of a widely salient issue provided earlier indicates the importance of the media in the political arena (Brians & Wattenberg, 1996). Print and electronic media reporters report and convey the opinions of experts. In newspaper articles or on radio and television news shows, reporters choose the experts to interview, and they report, more or less faithfully, those individuals' comments (Hetherington, 1996). Reporters thus play an important role in the mechanism by which salient issues develop, and they must be given a specific role in a theory attempting to explain the development of salient issues. Activists and NGOs have certainly acknowledged this point. For instance, in a recent study of boycotts against firms, Friedman argues that, in most cases, activists attempt to attract attention from the news media and make the issue salient.

*Reporters*, as we use the term here, refers not to opinion writers or columnists but those who are employed by major news services that attempt to present relatively objective coverage of news events. Reporters for the *New York Times* or the BBC are examples. We recognize that all reporters use subjective filters, but we believe that one can draw distinctions in terms of degrees of objectivity. The reporters we focus on here are the original gatherers of information that becomes news and often the sources for the products of opinion writers or media commentators with announced or widely understood ideological positions.

The last important prediction of organization theory for our purpose is that individuals, when they have to make a choice about whose opinion to adopt, will be influenced by the credibility or status of information providers (Burns & Wholey, 1993; DiMaggio & Powell, 1983). When high-status individuals or very credible actors, such as experts, are the first to adopt an opinion, many other individuals will follow, often ignoring contrary private information. Thus, the opinion of perceived experts is likely to be at the origin of the process by which an issue becomes salient, because these experts bring credibility

and expertise. Similarly, an interest group or a group of activists trying to make an issue salient will probably first have to obtain the support of experts—if possible, well-known ones.

Based on insights from neoinstitutional and information cascade theories, we can now describe the sequential development of widely salient issues in the following way. First, experts originate the process and, working through organized groups, begin to spread information about a phenomenon (e.g., the risk of global warming). Reporters then relay this information supplied by experts to a broad audience of individual citizens (e.g., global warming represents a phenomenon threatening the future of mankind). Some individuals begin to take an interest in the issue and develop personal opinions based on the information provided by the experts and spread by the reporters. These early converts spread information to other individuals in their circles of acquaintance or to colleagues by referring to the opinion of experts. Rationally ignorant voters may become interested in this issue and, to reduce search and experimentation costs, may adopt the opinion of the early converts, making the issue widely salient (e.g., global warming is now widely perceived as a terrible risk).

Interestingly, this process can also cause voters to adopt positions that might not be in their best interest. Consider the example of protectionism. It is easy to explain why public decision makers often support protectionism. Protectionist policies generally are those with highly concentrated benefits enjoyed by the group seeking protection but with dispersed costs borne by the unorganized consumers (Wilson, 1980). These are ideal policies for an official seeking reelection to support because they will have little organized opposition and strong proponents. However, left unexplained is why individuals who are not members of the group seeking protection often support the idea of protectionism, even though free trade might generate lower prices for them as consumers (Caplan, 1999). The insight provided by the models presented here is that protection-seeking activists like trade unions may be able to trigger an information cascade by getting rationally ignorant individuals to believe protectionism is in their best interest.

Elected officials and those seeking election are other important actors affected by public

policy issues that become widely salient. Our theory assumes all actors act rationally—that is, they make decisions by trying to maximize their utility (utility being considered here as a subjective concept: individuals have different sets of preferences). Generally, it is assumed that rational politicians seek reelection (Mueller, 1989), which makes the degree of issue saliency important to them (Bonardi, Hillman, & Keim, 2005). When an issue is only narrowly salient and does not attract the attention of a large segment of likely voters, policy making is left to the discretion of public officials, who can efficiently allocate these policies among the groups attempting to influence the policies (Baron, 2001). When issues are widely salient, however, the costs of information are greatly reduced for likely voters, thus enabling them to get interested in the issue and perhaps vote accordingly.

Existing research indicates that widely salient issues, especially those covered widely in the media, create constraints on policy choices for elected politicians (Besley & Burgess, 2002). An example is the issue of genetically modified food in Europe. Interest groups such as ATTAC, Greenpeace, and Friends of the Earth disseminated information that raised fears among voters about food safety and quality. Saliency of the issue grew, and voters' opinions coalesced around opposition to genetically modified foods, pushing European politicians to block the entry of these foods often marketed by American firms. The decision made by Monsanto in 2003 to pull out of the cereal business in Europe was a consequence of this mechanism.

Politicians generally react in two ways to issues that become more salient to a larger number of voters: (1) either they wait for the issue to be widely salient and act only when they feel constrained to do so or risk having their reelection jeopardized, or (2) they act as entrepreneurs in the political arena, identifying early opportunities related to an issue's becoming widely salient and using it as a way to compete against other politicians.<sup>1</sup> Both of these reactions were seen in the context of the genetically modified

---

<sup>1</sup> This suggests that some politicians probably pay attention to issues that they think might be presalient. As suggested to us by one of the anonymous reviewers, health care is an issue that might very well be considered presalient in North America and Europe, and therefore is probably highly scrutinized by opportunistic political entrepreneurs.

food controversy. In England and Germany, government actors tended to wait to support public opinion longer than in more agricultural countries, such as France, where many politicians were early supporters of the issue and behaved as political entrepreneurs.

As issues become widely salient, politicians' options are constrained. Thus, opportunities for activists, interest groups, or NGOs to obtain the public policies they seek increase as they raise the salience of their issues.

### The Fragility of Information Cascades

Based on insights from the information cascade literature, Rao, Greve, and Davis (2001) have described a limitation of neoinstitutional theory directly relevant for the study of widely salient issues. Their empirical analysis of analysts' coverage of NASDAQ stocks shows that while organizational theorists have documented the ubiquity of imitation in adoption decisions, the arrival of new information can cause post-decision regret and induce decision makers to reverse their course of action. In other words, imitation processes produce errors, which some decision makers realize over time. Thus, the imitation-adoption process is likely to be fragile (Bikhchandani et al., 1992). Similarly, information cascades driving potential salient issues develop over time but can suddenly disappear or be reversed through the release of new information to voters. And although more people adopting the same opinion make the information cascade more widespread, it is not necessarily more robust.

For our analysis, this means an issue might not become widely salient if conflicting information (such as a new media report) discourages individuals from coalescing around a position. Thus, theoretical development beyond the social processes described by neoinstitutional theory is needed to explain the occurrence of widely salient issues in the face of the fragility of information cascades. What must be explained especially is what might prevent key information providers—such as, as we saw, experts and reporters—from conveying disappointing information to a large number of individuals. Experts and reporters can, in fact, hardly be considered rationally ignorant actors. They spend their working life searching for information and con-

veying information to others. Information cascades and mimetic behaviors are therefore not sufficient in themselves to get experts and reporters to adopt a certain opinion, convey it, and stick to it. How, then, can the fragility of information cascades be mitigated? How can activists or NGOs make sure that experts or reporters will not change their mind and convey disappointing information about a specific issue? To answer this question, we turn to the theory of reputation cascades.

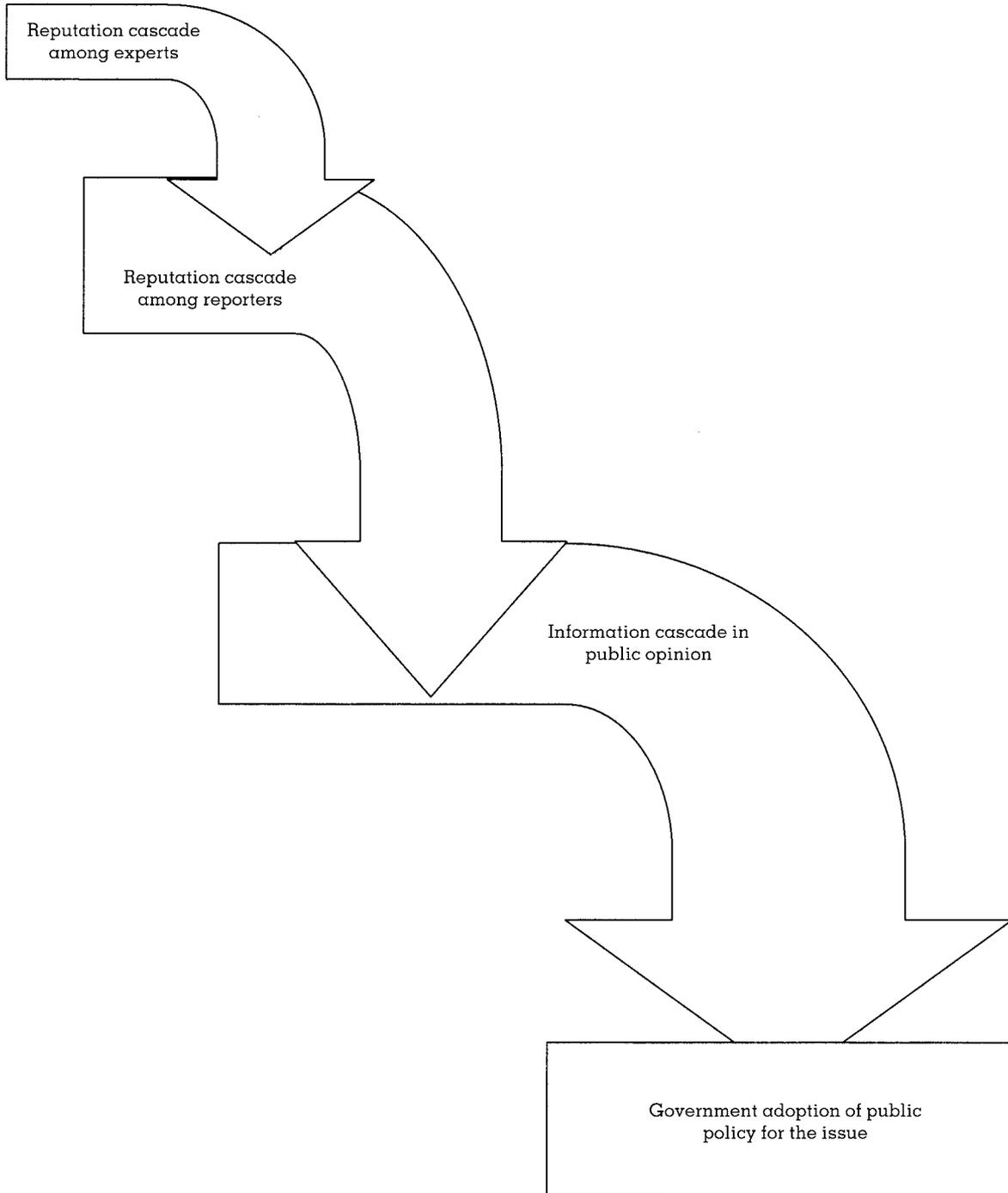
### Influencing Information Providers: Reputation Cascades

To overcome the uncertainty created by the fragility of information cascades, we suggest, following Kuran and Sunstein's (1999) insight, that interest groups or activists trying to transform an issue into a widely salient issue must trigger reputation cascades among experts and reporters *before* trying to create an information cascade among individual likely voters. In the tuna fishing issue cited above, for instance, the public outcry started when animal rights groups publicized a report by experts that more than a million dolphins had been killed in the 1970s and 1980s and that these continued practices might endanger the species.

Reputation cascades differ from information cascades in that individuals in this setting do not decide to adopt the opinion of others out of ignorance but, rather, as a way to maintain their social status, improve their reputation, and avoid the disapproval of colleagues around them. While reporters and experts may have different interests, training, reward systems, and peers, we contend that both groups are likely to respond similarly to concerns over social pressure. Thus, we argue that this mechanism can drive experts and reporters to consensus, thereby potentially generating a less fragile information cascade as described above. Figure 1 depicts this logic.

Our presentation of reputation cascades follows Kuran's work (1995). The starting point of this analysis is the choice faced by an expert or a reporter who must convey a preference on an issue. Reputation cascades involve individuals who are informed about the subject and who have investigated it. If experts and reporters do not feel any social pressure related to their po-

**FIGURE 1**  
**Reputation Cascades, Information Cascade, and Public Policy Making**



sition on an issue, they will use their private opinion or preference when asked about an issue. In some cases, however, experts and report-

ers are concerned about social pressure created by others in their field, and they may be induced to convey a public opinion different from their

private opinion on the issue—known as “preference falsification” (Kuran, 1995).<sup>2</sup>

Falsification encompasses many potential behaviors for experts and reporters: some experts might knowingly falsify their results or conceal disturbing parts of their research; others will only look at certain research areas without considering others, therefore leaving aside important dimensions; and yet others will just question and doubt their own research findings. Other experts or reporters might also engage in self-silencing and shy away from voicing an opinion contrary to the one that generally prevails in his or her environment.<sup>3</sup> All these different behaviors are here treated under the generic term *preference falsification*. The theory is not affected by this potential variation in behaviors: as long as the consensus among experts or reporters is not questioned, the signal will go through and will influence the rest of the individuals in a society.

Of course, people vary in their responses to prevailing social pressures. One individual may resist pressure that another chooses to accommodate through preference falsification. We assume that, when an expert or reporter is asked to express an opinion publicly, he or she will receive benefits or incur costs as a result. As ar-

<sup>2</sup> Research in social movements (Gamson, Fireman, & Rytina, 1982) and in social psychology confirms the existence of social forces on people’s public opinion. Asch (1952), for instance, devised an experiment to examine the extent to which pressure from other people could affect one’s perceptions. He found that many of the subjects who were placed in this situation went along with the clearly erroneous majority. When they were interviewed after the experiment, most of them said that they did not really believe their conforming answers but had gone along with the group for fear of being ridiculed or thought “peculiar.” Asch’s subsequent research showed that people conform because they want to be liked by the group and because they believe the group is better informed than they are. In addition, Asch also found that one of the situational factors that influence conformity is the size of the opposing majority: the group pressure implied by the expressed opinion of other people can lead to modification and distortion, effectively making many people see almost anything.

<sup>3</sup> As pointed out to us by one of the reviewers, it is interesting to note that the behaviors of experts and reporters might very well differ on this point. Experts might often be tempted to avoid disapproval by their peers, which might have some important long-term consequences for them, and therefore to silence their true opinion, whereas reporters might chase the “hot” story and therefore openly support the developing public opinion, even if it goes against their own.

gued by Kuran (1989), three distinct considerations may enter one’s calculations: (1) the satisfaction that one is likely to obtain from society’s decision, (2) the reward or punishment associated with a chosen preference, and (3) the benefits one derives from truthful self-expression. The first consideration is likely to be fixed and of low importance, since one individual expert/reporter’s likelihood of directly influencing the public policy is low. The third is the most subjective and difficult to estimate. We therefore focus our attention on the second consideration as the main vector for a political strategy—rewards or punishments for a certain position.

Sanctions or rewards imposed on experts can be of various sorts, among them the following: being ostracized in conferences or by others in the field, being hindered in the development of one’s career, having papers rejected for publication, or finding it difficult to acquire research support. Rewards given to or sanctions imposed on reporters are easier to identify, in the sense that reporters need to attract a wide audience to promote their career (Bovitz, Druckman, & Lupia, 2002). Developing a positive and widespread reputation among peers may, in turn, increase the tendency to express popular public preferences and discourage contrarian behavior (Sutter, 2001). Reporters also need to differentiate themselves from their peers and find new stories. Especially attractive new stories are those that are unique or that stress the threat or benefit created by certain phenomena. Reporters have incentives to closely follow what experts are thinking and to exploit related opportunities to build their reputations. We therefore posit that an opinion declaration by one individual expert or reporter is a function of the public rewards and sanctions he or she incurs for his or her stand and of the psychological costs or benefits from a declaration that is consistent or inconsistent with his or her private preference. We call the opinion that an expert or reporter conveys in public his or her “public preference.”

The choice to convey a public preference different from one’s private preference is also a function of the expert/reporter’s falsification threshold (Kuran, 1995). Assume that an expert/reporter must make a public statement and has a choice between two alternatives: the position 0 and the position 100. The expert/reporter then has a threshold (between 0 and 100 percent of the mean estimated collective opinion) at which

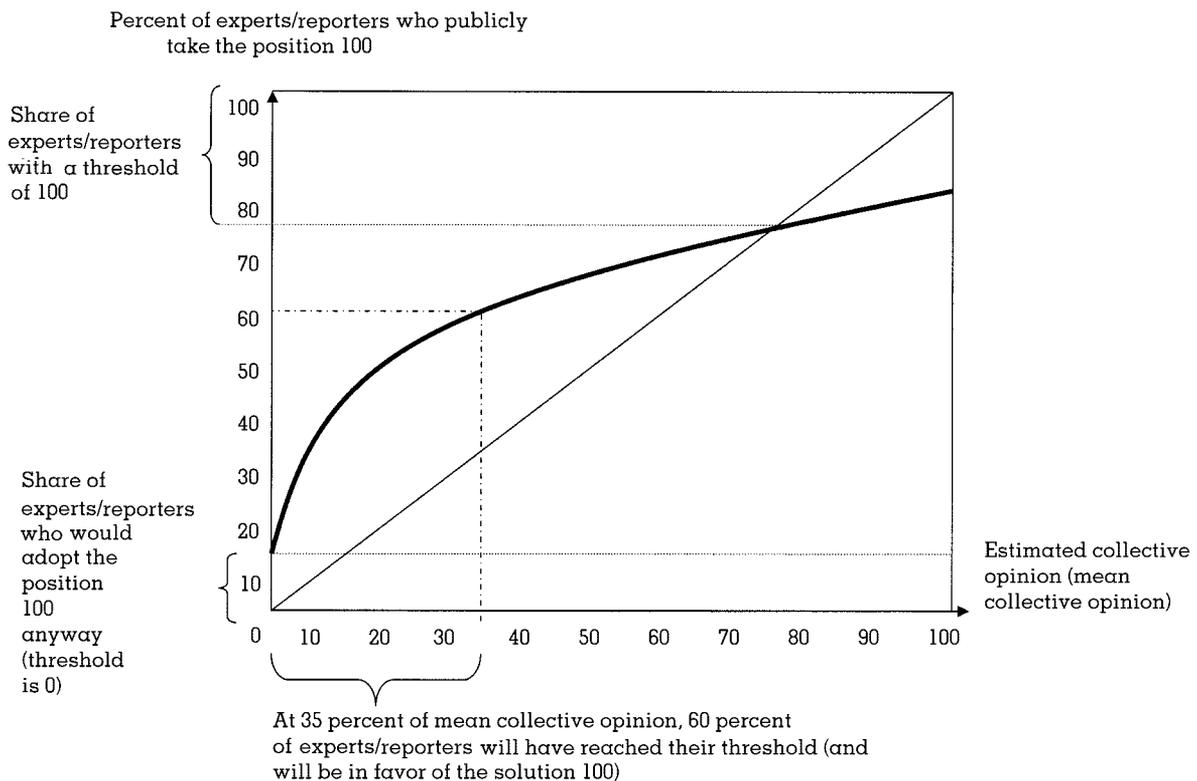
he or she decides to falsify his or her own private preference. For instance, if an expert has a private preference  $x = 20$ , then, given a choice of 0 or 100, the expert would rather support the former. If the pressure from the interest group supporting 0 and the interest group supporting 100 are the same, the expert will stick to his or her private preference of 20 and will express 0. But there is a threshold at which the social pressure will push the expert to express 100. Suppose that an expert's threshold is 70. Then, if the collective opinion among experts/reporters is below 70, the expert will express 0. If the collective opinion among experts/reporters is above 70, the expert will pick 100. If the collective opinion among experts/reporters is 70, he or she might as well toss a coin, and the outcome becomes random.

Figure 2 shows a possible distribution of thresholds among experts/reporters about an issue. We obtain a curve in which the vertical axis represents the cumulative distribution of thresholds, found by plotting, for each value of the expected mean collective opinion between 0

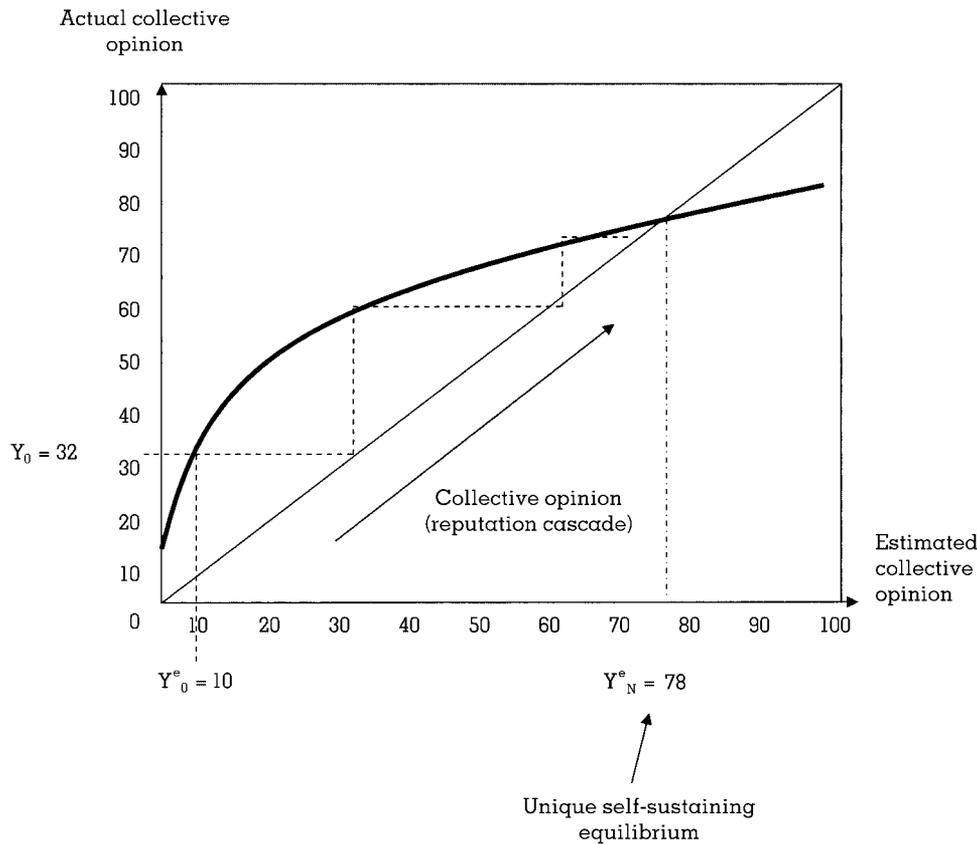
and 100 (the horizontal axis), the percentage of the experts'/reporters' community with a threshold at or below that level. In this example, 15 percent of the experts/reporters have a threshold equal to 0, which means they are already convinced that 100 is the right opinion to support. These experts/reporters do not have to falsify their opinion to assert publicly that 100 is the correct opinion. The rest of the experts/reporters will do so if they express a public opinion in favor of 100. According to Figure 3, 80 percent of experts/reporters have a threshold below 100, which means that their preference can be falsified if they expect the collective opinion among experts/reporters to be high enough. As well, at 35 percent of estimated mean collective opinion among those experts/reporters, 65 percent of them will have reached their threshold and will then falsify their public opinion to match that of the community.

In Figure 3 the same curve from Figure 2 is pictured. If the expected public opinion starts at 10, it appears that 32 percent of the population has a threshold at or below 10. So this share of

**FIGURE 2**  
**An Example of Distribution of Thresholds Among Experts or Reporters**



**FIGURE 3**  
**Expected Collective Opinion and Its Motion (with a Single Equilibrium)**



experts/reporters will give support to 100, and the remaining 68 percent will support 0. An expectation of 20 has then generated a public opinion of 32. Since the estimation of the collective opinion turned out to be a "faulty" estimate, it will be revised upward. This process of reestimation takes place several times and drives collective opinion higher and higher among experts/reporters. The process stops when no more upward estimation of collective opinion occurs, since all experts/reporters have reached their thresholds and falsified their preferences. In Figure 3 this happens at 78 percent of collective opinion; 78 percent is then a stable equilibrium for collective opinion in this case. A large majority of experts/reporters now publicly support the position 100, even though only 10 percent of them were really convinced when the process started. The reputation cascade has worked to transform the collective opinion of experts/reporters, who will then search for information to support their viewpoint and provide this in-

formation to rationally ignorant voters. Voters will, in turn, support the position 100 and will encourage officials to support this policy position.

The Microsoft case is an example of how collective opinions among experts and reporters can trigger a reputation cascade that will then foster an information cascade among likely voters and strongly influence public opinion. The Microsoft case started in the 1980s, when the initial growth of the software firm coincided with the study of a new concept—"network externalities"—that began to appear in the economic literature (e.g., Arthur, Ermoliev, & Kaniovski, 1987; David, 1985; Farrell & Saloner, 1985; Katz & Shapiro, 1985). The insight of network externalities is that, in many markets, the value of a product or service does not depend only on its characteristics but, more important, on the number of users who have adopted it. Along with this position came the belief that, in these markets, among which software was a

well-cited example, an inferior technology (1) could drive a better technology out of the market and thereby lock in existing and future users, and (2) would create a monopoly position negatively impacting consumers' welfare in the long run. Very few economists opposed these views, which started growing in importance both in economic circles and in publications.<sup>4</sup>

Based on this common belief, the Microsoft case was viewed as an example of lock-in effect and monopoly in network externality markets. It is very likely that, along with this process, several experts falsified their private opinion to seize the opportunities created by the Microsoft investigations. For instance, Robert Bork, generally an antitrust minimalist, former Republican Senator Robert Dole, and Scott McNealy, a libertarian, all strongly supported actions against Microsoft. Rewards were clearly associated with the opinions publicly expressed by these leading figures, Bork and Dole being consultants for Netscape and McNealy a member of Sun Microsystems, along with Franklin Fisher, a leading economist, retained as an expert by the Department of Justice. Reporters began to convey this analysis, with few criticisms, to consumers who, at the same time, were facing the first real bugs and problems with the Windows system. This view developed quickly and finally led to antitrust judgments by American officials.<sup>5</sup>

We have argued so far that interest groups or activists can try to manipulate social movements, especially information and reputation cascades, to transform an issue into a widely salient issue in order to attract the attention of policy makers and build support for their issue. We now derive implications of this analysis for corporate political strategies.

<sup>4</sup> Many other works, both theoretical and empirical, appeared in the late 1980s and the 1990s. For a review of this literature, see Besen and Farrell (1994) or Economides (1996). The only scholars to publicly express their disapprobation in the academic literature, at that time, were Liebowitz and Margolis (1990, 1994). Their view was, and still is, however, very marginal among economists.

<sup>5</sup> Page (1999) notes, in addition, that the antitrust decisions against Microsoft cannot be explained by the lobbying activities of its competitors (e.g., Sun, Novel, Netscape) but, instead, by a "general opinion" conveyed by experts in the economic field. The process of reputation and information cascades helps explain this result.

## IMPLICATIONS FOR CORPORATE POLITICAL STRATEGIES

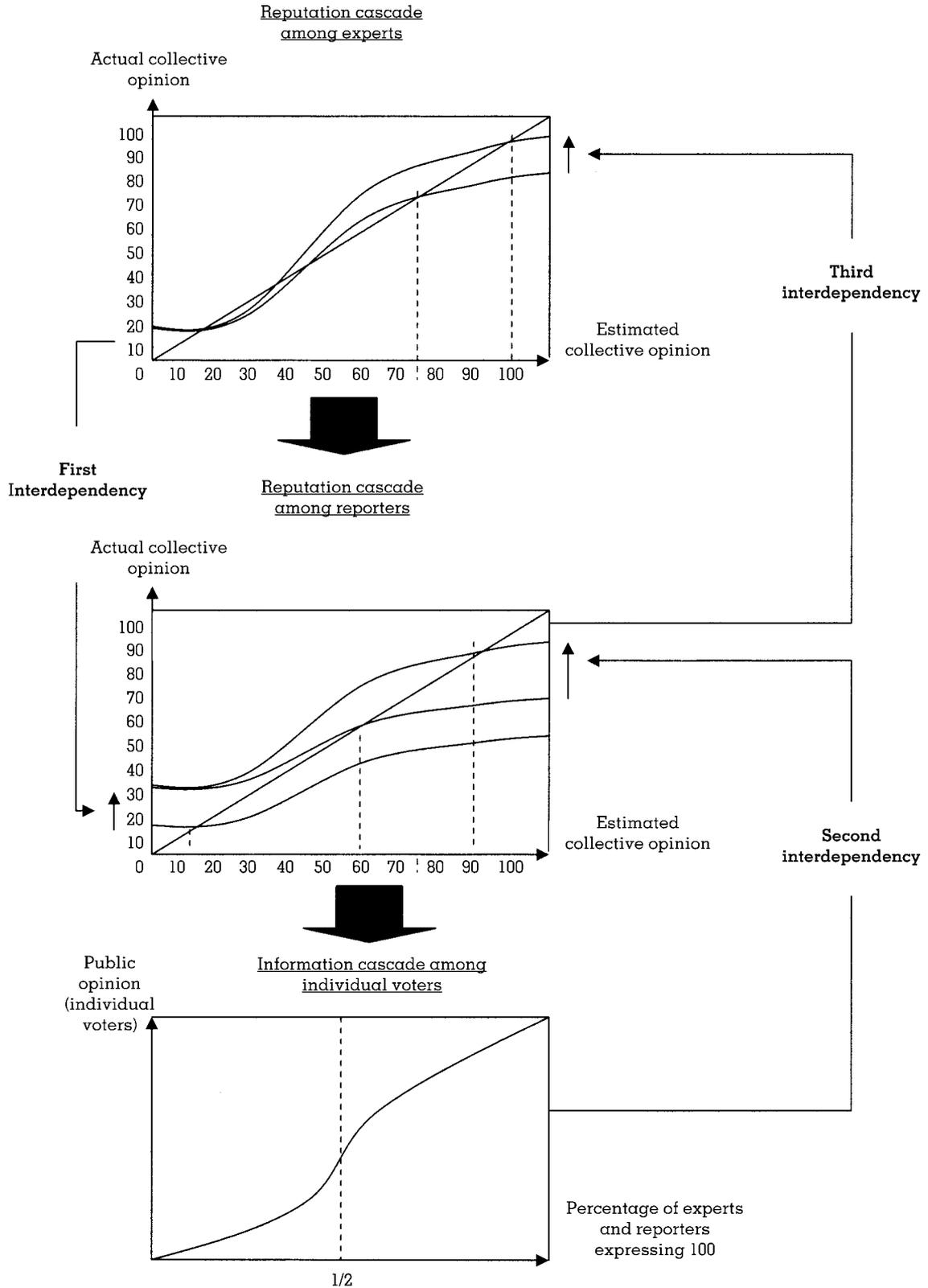
### Preventing Widely Salient Issues

The process of creating a widely salient public policy issue takes time, is fraught with difficulties, and is fragile, as described above. How can firms respond if they observe efforts to expand the salience of an issue important to their current operations or future plans? Viewing information and reputation cascades not individually, as we have done so far, but as a system may help answer this question, because interdependencies between the cascades create self-reinforcing mechanisms. These mechanisms, in turn, affect the information cascade tipping point and therefore the timing at which disruption is possible. As we will see, timing is key here: the firm needs to choose simultaneously when and how to act in the process leading to salient issues.

The first interdependency relates to the link between a collective opinion expressed by a majority of experts and the likelihood that reporters will think similarly. Reporters do not have to falsify their private opinion if they believe that what the experts say is true. Figure 4 depicts two curves regarding collective opinions among reporters: one before a reputation cascade occurs among experts and the other after. The curves have the same shape, but the second one starts higher because a portion of reporters has already been convinced by experts. The figure indicates that, even in the absence of adjustments made for reputation, collective opinion among reporters jumps from 10 to 35 percent after the reputation cascade among experts. An expectation of 35 percent is not self-sustaining, however, because expectations less than 70 percent produce further upward revisions.

Ultimately, the figure shows that revisions in reporters' opinions will generate a much greater increase in collective opinion in favor of 100. The new aggregate of 70 percent, like the old one of 15 percent, represents a unique equilibrium. The transformation in intrinsic utility functions has thus replaced a low equilibrium with an appreciably higher one. The move from 15 to 70 percent unites two effects: an intrinsic effect and a reputation effect. The former carries collective opinion to 35 percent and the latter to 70 percent. Thus, the prior occurrence of a reputation cas-

**FIGURE 4**  
**Interdependencies Between the Three Cascades and Self-Reinforcing Mechanisms**



cade among experts is likely to generate a stronger reputation cascade among reporters.

When an information cascade begins among individual voters and the audience size for the related issue increases, another interdependency occurs, because the rewards to reporters for communicating the issue (and the sanctions for not doing so) also increase. The threshold at which many reporters may falsify their preference decreases, and the shape representing the cumulative public opinion changes, as explained before. Again, more reporters are incited to join the crowd and support the "politically correct" opinion.

A third interdependency links the reporters' reputation cascade to the cascade of experts. Following the first two interdependencies, reporters are willing to broadcast the new facts, results, and theories provided by experts. This new reporting tends to decrease many experts' thresholds, since they want their research or experience to be covered in the media, and it therefore moves the cumulative opinion curve up. Consequently, the consensus among experts is reinforced, and the cascades are even more unlikely to be reversed. Public opinion is now well established and stable. The self-reinforcing mechanisms created by the interdependencies of the three cascades are summarized in Figure 4, which shows how the first interdependency drives up the cumulative opinion curve for reporters. This leads a higher proportion of the public to adopt this same opinion. Next, we observe the second interdependency, which drives the experts curve up and then leads to another higher equilibrium for reporters' collective opinion. The third interdependency follows, increasing consensus among experts.

These interdependencies among the cascades suggest that a firm is unlikely to reverse public opinion once a reputation cascade among reporters has taken place. The optimal time to act, then, is during the formation of a potential reputation cascade among experts.

*Proposition 1: To prevent the occurrence of widely salient issues, firms should implement their political strategy during the formation of a reputation cascade among experts.*

### **Early Denial When the Issue Is Not Yet Widely Salient**

One strategy often presented as sensible for firms is "early resistance" or "early denial." As soon as it is understood that efforts are under way to develop the saliency of an issue, firms may be tempted to engage in massive public relations operations as a countermove to "kill" the issue before it becomes more salient. Our analytical framework, however, suggests that this strategy might not generate positive results for the firm. Public relation campaigns target individuals, not experts or journalists. In the early stage, reputation cascades are more important than information cascades among individuals. Widespread public denials are not likely to influence experts and could attract the attention of individuals to the issue, possibly having an effect opposite that desired.

For example, in 1996 ABB faced what became known as the "Bakun controversy" (Steger, 2003). ABB won a bid to build a large dam in Malaysia, its largest project to date. The company was attacked by NGOs concerned with environmental consequences in Asia and in Europe. ABB's reaction was widespread denials in the press that the project would cause any environmental problems, emphasizing that the project was the result of the Malaysian government's decisions. Public awareness of the issue was raised but had no impact on the NGOs.

*Proposition 2: During the formation of reputation cascades among experts and reporters, public relations campaigns to thwart cascades will not be successful.*

Now that we know more about "when" firms can try to prevent the occurrence of salient issues, we can explore the question of "how" they may try to do so. The analytical framework developed earlier suggests that preventing consensus from occurring among experts or journalists and therefore creating a low initial impact on public opinion is critical. Our earlier description of the threshold distribution function used a unique self-sustaining equilibrium. However, social phenomena are often characterized with multiple equilibria (Kuran, 1995). In our setting, this means that a similar phenomenon can generate very different public responses in different places. Genetically modified food, for instance,

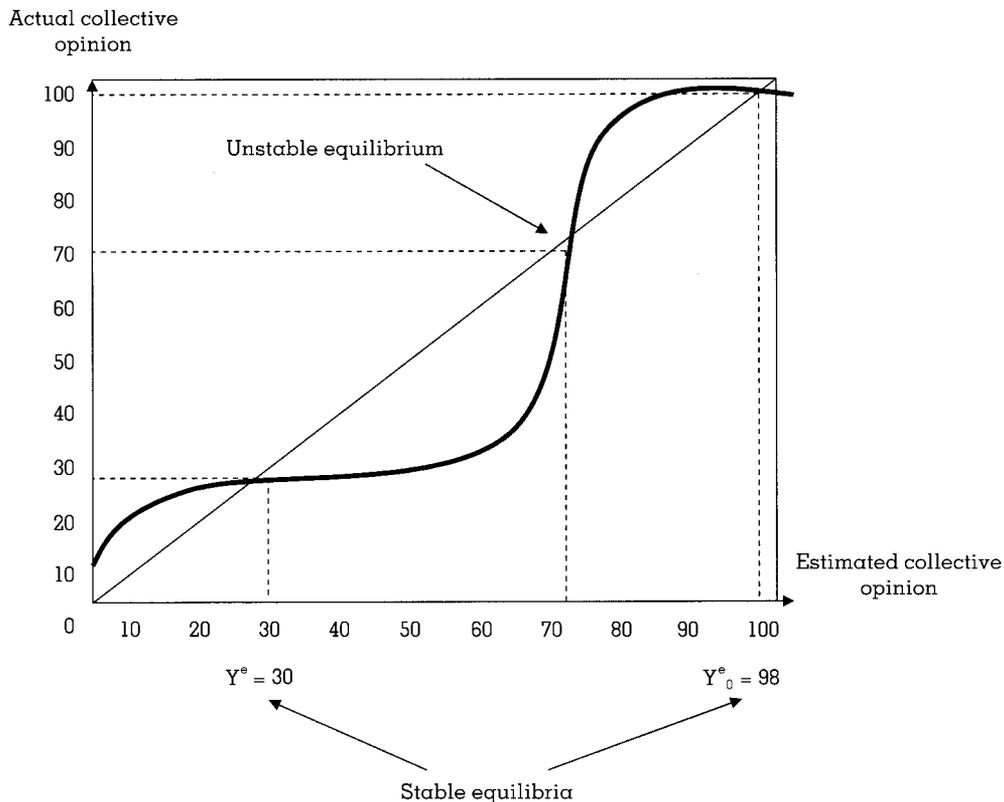
has never been a widely salient issue in the United States, whereas it has been a great concern for Europeans, negatively affecting the strategies of multinationals like Monsanto. The question, then, is how can a firm maintain public opinion at the lowest possible equilibrium, and prevent it from moving higher?

Graphically, a situation with multiple equilibria happens when the cumulative public opinion curve crosses the diagonal more than once. A case with three equilibria is provided in Figure 5. Of the three, those at 30 and 98 percent of public opinion are stable in that further estimations of collective opinions among experts/reporters generate revisions toward them. The 70 percent equilibrium, however, is unstable, and nearby estimations generate revisions away from it. If the initial estimation of collective opinion among experts/reporters turns out to be 50 percent, then the process will drive the actual collective opinion down to the 30 percent equilibrium. Conversely, if the initial estimation of collective opinion is 62 percent, then the equilibrium will ultimately be 98 percent.

In the case of several equilibria, the initial estimation of the collective opinion by experts or reporters is therefore a key factor explaining the domination of a collective sentiment. In Figure 5 the 30 percent equilibrium does not create enough saliency for the issue and, therefore, is unlikely to attract the attention of reporters, likely voters, and policy makers. The other equilibrium (98 percent), conversely, generates a high saliency and will probably be enough to trigger an information cascade encouraging government actors to support policy measures dictated by the issue.

The implication of this analysis is that firms can try to prevent the occurrence of reputation and information cascades by influencing the initial estimation of the public opinion made by experts or reporters. The more variance there is in what experts and reporters think, the lower the initial estimation will be and, therefore, the lower the likelihood will be that reputation and information cascades will occur. One efficient way by which firms can attempt to increase this variance in experts' opinions regarding an issue

**FIGURE 5**  
**Expected Public Opinion and Its Motion (with Three Equilibria)**



is by providing support and financing to research centers and interest groups opposed to established positions. This encourages dissent among experts. Instead of subsidizing research and activities of groups with similar views, firms trying to prevent the occurrence of salient issues might also support groups with opposing views. For example, Shell reacted to the Brent Spar incident by supporting various environmental groups having opposing positions to their own, in addition to those research groups the company traditionally worked with (DeSimone & Popoff, 2000).

*Proposition 3: During the formation of potential reputation cascades among experts, firms can impede the development of widely salient issues by supporting interest groups with views that are both similar and opposed to their own interests.*

This proposition might seem surprising for scholars studying political strategies. One of the key conclusions of the literature surveyed in the first section of this paper is that well-organized interests with converging views are often an effective way to impact public policy decision makers. In the context of rivalry to raise the saliency of an issue, however, it is better to *divide in order to stand*. For several environmental issues, over which firms compete with activists and interest groups trying to raise these issues' salience, firms have successfully prevented policy decisions by generating multiple views of the policy and promoting dissension. These actions were largely the cause of the demise of a proposed European carbon tax in 1992, as well as the process to create a regime to control emissions of atmospheric greenhouse gases (Levy, 1997).

### Responding to Widely Salient Issues

Widely salient issues limit a firm's choice of political strategies. Hillman and Hitt (1999) depict three types of political strategies: information, financial incentive, and constituency building. The first two—information and financial incentives—are directed at the political decision makers themselves, whereas constituency building targets political decision makers indirectly, through likely voters. In the context of a widely salient issue, firms may be tempted to

use political strategies directed at political decision makers, because politicians and bureaucrats still ultimately decide public policy issues. However, these strategies are less effective with widely salient issues, since likely voters are no longer rationally ignorant. Public attention to widely salient issues makes political decision makers subject to careful scrutiny by the media and individual voters. Therefore, political decision makers have strong incentives to conform to expressions of public opinion on widely salient issues in order to be reelected. Thus, efforts to influence elected officials to go against public opinion on a widely salient issue are likely to fail.

Antitobacco policies show that, in spite of deep pockets and long-lasting lobbying connections, tobacco companies have been unable to stop information cascades on issues contrary to their interests. Tobacco companies were the largest corporate contributors to both the Democratic and the Republican parties in the United States in 1996, giving nearly \$11 million. Between 1986 and 1996, three of four members of Congress accepted industry political action committee contributions (Wheeler & Levenson, 1998). Philip Morris alone spent \$19.6 million in 1996 on its Washington lobbying operation. These efforts did not prevent the smoking issue from becoming widely salient, nor did they stem new regulations and settlements involving the big tobacco companies, state's attorneys, and public health advocates. Aggressive attempts by the tobacco firms to convince European Union politicians similarly failed, with the European Commission introducing sweeping new restrictions on tobacco advertising in 2002.

Pursuing a constituency-building strategy may enable firms to target public opinion on widely salient issues (Hillman & Hitt, 1999; Keim & Zeithaml, 1986), but this strategy also has disadvantages. Firms opposing a widely salient issue may experience negative reputation effects by going against existing public opinion. Damage to a firm's reputation by opposing a widely salient issue could adversely affect customers' attitudes about the firm's products or the supply of workers willing to seek employment with the firm. This is because firms often have a low credibility in the public as information providers (Argenti, 2004).

An aggressive political strategy aimed at likely voters may also be unsuccessful for

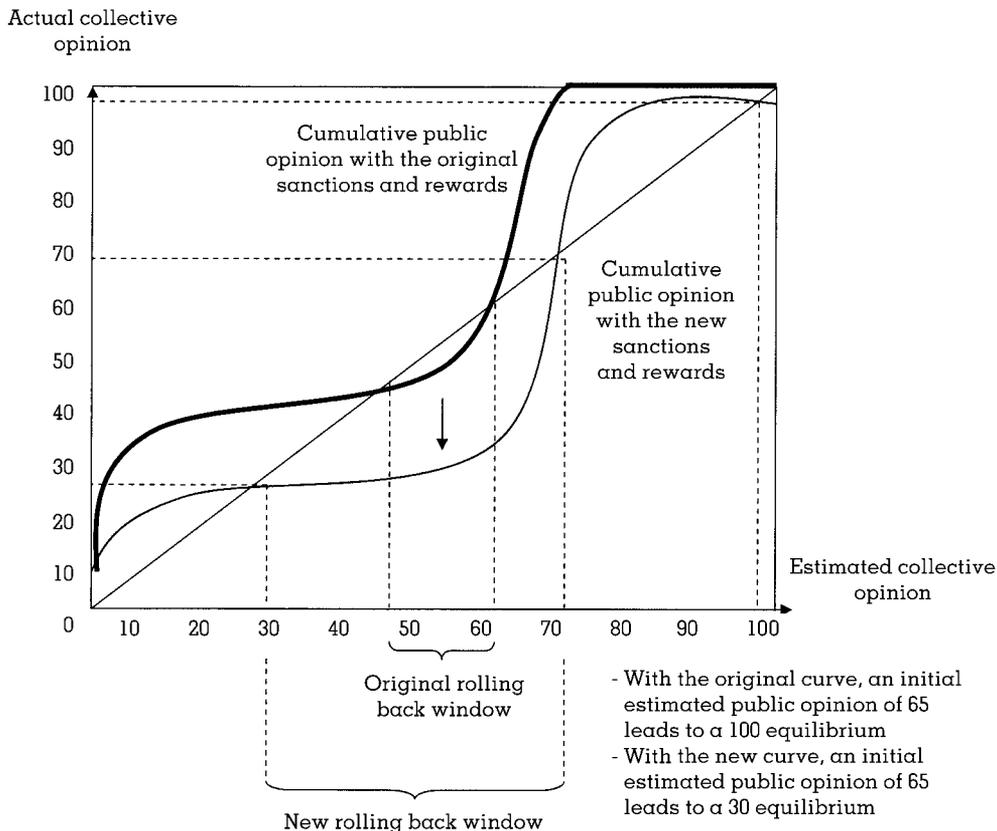
widely salient issues. Burroughs Wellcome Co. experienced the negative backlash of this strategy when defending the price of AZT in September 1989 against AIDS activists. Through highly publicized protests and experts' emphasis of the threat of the AIDS epidemic, activists were successful at making the issue widely salient and pushing various actors in the U.S. government to suggest taking action against the company. In spite of an attempt to react in the political arena, the only clear outcome was a negative spillover to the firm's reputation overall and on its stock price. It eventually became irrelevant to many that the company was the first one to market a potential treatment against the disease (Emons, 1993).

**Targeting Experts to Deal with Salient Issues**

We have argued so far that the traditional political strategies employed for narrowly salient issues are unlikely to work when issues are widely salient. But these strategies are directed only at political decision makers and the public, whereas other strategies may be influential in changing the nature of the reputation cascade process. Since experts' and reporters' thresholds depend heavily on the sanctions and rewards associated with the expression of a given opinion, it is possible for firms to change the distribution of thresholds by reinforcing sanctions and rewards. For example, firms can award research grants to scientists and experts or organize conferences on the issue and invite experts to report new research. New research may support the company's position on the issue, resulting in a modified threshold and cumulative collective opinion curve. This is illustrated in Figure 6, which depicts two

*Proposition 4: Political strategies successful at influencing narrowly salient issues are likely to be unsuccessful at influencing widely salient issues.*

**FIGURE 6**  
**Increasing Sanctions and Rewards (Without Changing the Intrinsic Public Opinion)**



curves: one before the threshold changes and one after. A lower equilibrium is reached after the firm modifies the threshold.

Threshold modification is possible by firms financing interest groups with research activities that may support the firms' views or create alternative views calling into question earlier results, threatening the stability of the previous cascade. New research results can have three positive effects. First, they can create new incentives and new research/career opportunities for those investigating issues related to firms' interests. Second, they can free the experts who feel constrained for reputation purposes to embrace the general opinion, therefore pushing down the threshold distribution. Third, they can ultimately impact reputation cascades to the point of threatening the stability of cascades previously supported by reporters. Nike's strategy to hire experts from the U.N. International Labor Organization to support its position<sup>6</sup> in the face of a labor standard controversy is a good example of these effects.

*Proposition 5: When responding to widely salient issues, firms may change the threshold at which a number of experts decide to falsify their personal opinion by financially supporting experts' new research on the issue.*

### Changing Reporters' Thresholds

Firms similarly may try to change the thresholds of reporters and lower an issue's equilibrium. Consider the incentives driving reporters' behaviors in the context of a reputation cascade. We argued earlier that reporters are driven by the need to find new information from reliable sources and to tell surprising and interesting stories for readers. As argued by Dyck and Zingales (2002), firms may influence reporters' judgments or evaluations by giving them access to primary information. For some firms, this may be a way to modify reporters' thresholds on an issue and to avoid a reputation cascade. A commitment to provide some reporters with timely

and unique information about an issue may influence them.

*Proposition 6a: Firms dealing with widely salient issues may change the threshold at which some reporters falsify their personal opinions by providing these reporters with primary information about the issue.*

Criticizing or incriminating well-known companies and brands, however, is often an expedient way for reporters to generate interesting stories. In the context of a widely salient issue, companies with strong brands are often highly threatened (Steger, 2003). Despite indications from previous research that reporters are positively biased toward firms (Dyck & Zingales, 2002), when interest groups are the source raising the saliency of an issue involving a firm, reporters might have an incentive to give a negative spin (Baron, 2003c; Sutter, 2001). If the company is well known—like Nike, for example—it may be more advantageous for activists to target this type of firm (Baron, 2001) and for reporters to be on the activists' side and denounce the firm. Because of these alternative incentives that are attractive to reporters, it may be more difficult for a well-known company/brand to modify reporters' thresholds by providing special access as described above.

*Proposition 6b: Changing the threshold at which reporters falsify their personal opinions by providing information is a political strategy less likely to work in the case of well-known brands or companies.*

Reporters have another important role to play. An information cascade may be disrupted if reporters decide to report contrary information or not to relay the opinions of experts. No matter how compelling the evidence used by experts to support their opinions, reporters can limit the diffusion of expert opinions. They do so by expressing a contrary view or by limiting media coverage of the issue. Thus, it is very important for interest groups trying to elevate an issue to a widely salient level to ensure there is no significant opposition by reporters. Returning to our example of genetically modified food, experts trying to publicize positions defending genetically modified organisms have found little press

<sup>6</sup> This strategy is somewhat similar to the one identified by Hillman, Zardkoohi, and Bierman (1999), who found a positive impact in terms of earnings for firms hiring former government officials as members of the board.

interest, especially in agricultural countries such as France.<sup>7</sup>

*Proposition 6c: It is important to complement a strategy of changing the threshold among experts with a strategy of changing the threshold among reporters.*

### Self-Regulation

One problem with the strategies presented above is the length of time necessary to impact the views of likely voters. Self-regulation may be a more timely solution to reduce the potential negative effects of a salient issue. By self-regulation, we mean that the firm can voluntarily limit the activity that is seen as causing real or potential social harm, thereby meeting at least a part of the opposing activists' or interest groups' demands (Lyon & Maxwell, 2002). With self-regulation, the firm voluntarily chooses which activity to stop and how, therefore preempting directives advocated by interest groups or activists. In the Burroughs Wellcome example cited above, the company was finally able to cope with mounting public opinion by announcing a 20 percent price cut, ending activists' extreme behavior and reducing issue saliency (Emmons, 1993).

Self-regulation was an effective strategy in the AZT case because, unlike in the earlier tobacco example, the action taken through self-regulation directly affected the reporters' threshold function and, therefore, the individuals getting most of their information from the news media. When reporters cover a new development, new forums for analysis on the issue are opened and, in some cases, public policy intervention becomes unnecessary. In the case with several equilibria described above, this might create a new situation among reporters and move collective opinion to a lower equilibrium, or even stop the information cascade. This strategy offers the advantage of potentially

working faster than one depending on experts' providing new research results. The main drawback depends on how costly self-regulation is for the firm and the degree to which self-regulation is seen as an effective response to interested parties.

For reasons similar to those concerning strategies aimed at changing experts' thresholds (Proposition 6c), however, combining self-regulation with a strategy to influence reporters' opinion is therefore likely to be effective. Reporters will likely convey the information and commentaries about the firm's self-regulation and have an important role in preventing the future development of a salient issue. As in Proposition 6a, this may imply changing reporters' rewards by such actions as a commitment by the firm to communicate future scoops and valuable information to them.

*Proposition 7: A self-regulation strategy complemented with a strategy of modifying reporters' thresholds is likely to be successful at responding to widely salient issues.*

### DISCUSSION AND CONCLUSION

By demonstrating that the development of widely salient issues is endogenous to the public policy process and driven by political actors such as interest groups, trade unions, or NGOs, we make an important contribution to the corporate political strategy literature. In describing the process by which issues gain wide salience, we have built primarily on the rational choice literature, which highlights the role of information and reputation cascades, and the neoinstitutional literature, which explains conformity to certain behaviors. These bodies of literature stress two mechanisms that can lead to the formation of a wave of opinion among large numbers of likely voters: (1) an individual's adoption of others' behaviors or beliefs through ignorance and (2) the adoption of others' position on an issue to maintain a reputation or social status. We have argued that the formation of a public opinion may be influenced by triggering a reputation cascade among a group of experts, followed by another reputation cascade among journalists, and finally an information cascade among individual likely voters. If successful, this process can drive many likely voters to sup-

<sup>7</sup> For instance, a petition signed in September of 2003 by 1,500 French researchers, in favor of further development trials and experiments for genetically modified food, received very little media attention in France. Another petition signed by other researchers a few months earlier (June 2003), this time supporting French activist José Bové, one of the leaders of the movement against genetically modified foods, received much wider press and even television attention.

port a similar opinion, therefore encouraging policy makers to support the issue position.

Our contention that political strategy formulation for widely salient issues is distinct from that for narrowly salient issues calls into question the generalizability of prior research in corporate political strategies to widely salient issues. For example, Hillman and Hitt's (1999) model of corporate political strategy depicts three decisions firms must make regarding approach, participation level, and strategy. Our framework suggests that these decisions will take on fundamentally different answers for widely salient issues. We also suggest that most of the traditional political strategies that are the focus of existing research (e.g., lobbying, campaign contributions, or constituency building) may be ineffective in preventing the occurrence of widely salient issues or in reacting to issues that are already widely salient. Because widely salient issues reduce the rational ignorance of likely voters, constraints are created both for firms seeking specific public policies and on governments or bureaucracies forming public policies. Specific strategies instead must focus either on preventing the occurrence of widely salient issues or reacting when an issue has already become widely salient. These strategies imply contacts with experts and reporters who, as we describe, play a major role in the formation of public opinion and widely salient issues.

We suggest that when a firm wants to prevent the occurrence of a widely salient issue, two considerations are critical. The first is timing. The firm's efforts must be directed at the formation of a reputation cascade among experts to be effective. Second, the best action for a firm may be to sponsor interest groups and experts with similar and opposing views to their own. Conversely, we suggest that early denial and public relations actions are unlikely to prevent the occurrence of widely salient issues.

Similarly, when reacting to a widely salient issue, several strategies may be helpful. Firms can first try to break the information cascades by providing the public with factual information contradicting the opinion that activists, experts, or reporters are supporting. However, convincing factual information is not always available. Firms can then try to work upfront, especially by financing new research by experts likely to support their views, in an attempt to change the thresholds at which some other experts falsify

their opinions and therefore prevent adversarial public policies. Firms can try to do the same among reporters, especially by committing to give some key reporters primary information in the future if they give the firm, in exchange, a positive spin in their news reports. We suggest, however, that this strategy is less likely to work with well-known firms, which provide ideal subjects for news reports when involved in a salient issue. If time is really critical, firms may also self-regulate or voluntarily limit the activity seen as causing social harm. Finally, firms can combine several of these strategies to increase their likelihood of success.

Our article also contributes to the recent literature on how firms deal with NGOs or activists (Spar & La Mure, 2003; Steger, 2003). Most existing studies categorize firms' potential reactions on one single axis, ranging from resistance to collaboration. We argue this view is too narrow, because the development of a widely salient issue is a process often driven by NGOs and activists, and firms are able to develop strategies at different stages of the process to change its course. The "when" decision is almost as important as the "how" decision. We also argue that NGOs are not necessarily the first targets when firms respond to widely salient issues. Firms' political strategies to cope with salient issues can target experts, reporters, or individuals and may be more efficient than strategies directly targeting NGOs and activists.

In addition, we have shown that the resistance-collaboration axis is not always appropriate, because such options are not always available, depending on where the issue is in the process. As indicated by Proposition 2, resistance and denial are not likely to be effective before the issue is widely salient. Similarly, we have proposed many other possibilities (e.g., self-regulation) that are not captured by the resistance-collaboration axis.

The theory and propositions we develop may offer additional areas for future research. First, empirical tests of the theories advanced here will be important steps. In-depth case studies, as well as quantitative explorations, could explore the relevance of this framework.

Second, more work is needed regarding the potential strategies to deal with salient issues. While we have suggested several possibilities here, further exploration, especially into the ways firms can use new means of communica-

tion, such as the internet or mass marketing, to facilitate these strategies, is warranted.

Third, researchers can examine the persistence of public policy positions as widely salient issues. Some widely salient issues persist, with the public opinion associated with them remaining consistent over time. Kuran (1989) asserts that repetition of an issue position is the best means to ensure its acceptance over time. Even when an issue is not widely salient any longer, voters' opinions might remain unchanged because there is no alternative offered. For example, the concept of natural monopoly and the regulations pertaining to industries such as telecom or electricity remained largely unquestioned for a long period of time. Only in the late 1970s did deregulation gain attention as a potential alternative for these markets. This line of research could examine relationships between regulations created by widely salient issues and future barriers to entry in political markets.

Fourth, in future research scholars should draw the linkages between the development of salient issues and other strategies used by activists, such as boycotts (Friedman, 1999). The difference with the approach proposed here is that the purpose of the activists' strategies is not only to influence government and public decision making but also to deter consumers from buying products from a specific firm or a set of firms. In other words, the focus is more on "private politics" (Baron, 2003b) than on public politics.

A final avenue for future study is to explore how institutional differences like constitutions and specific policies and norms and mental models across countries affect the emergence of widely salient issues (North, 1990). Since preference falsification is a social process, it is not likely to be identical everywhere. Sanctions and rewards for experts and reporters are, for instance, potentially different from one place to another. Similarly, the role of think tanks needs to be explored, since it may affect the development of widely salient issues (Abelson, 2002) and also varies greatly across institutional settings. Differences in media operations across countries may also affect the role played by reporters in contributing to the creation of widely salient issues (Dyck & Zingales, 2002). In countries where newspapers are clearly identified with an ideological position, reporters may

be even more important contributors to the information cascade than in countries where different news media are less strongly associated with a particular ideological position. These questions are of interest to us and, we hope, to others.

## REFERENCES

- Abelson, D. E. 2002. *Do think tanks matter? Assessing the impact of public policy institutes*. Montreal: McGill-Queens University Press.
- Argenti, P. 2004. Collaborating with activists: How Starbucks works with NGOs. *California Management Review*, 47(1): 91-116.
- Arthur, B. W., Ermoliev, Y. M., & Kaniovski, Y. M. 1987. Path-dependent processes and the emergence of macrostructure. *European Journal of Operational Research*, 30: 294-303.
- Asch, S. 1952. *Social psychology*. New York: Prentice-Hall.
- Baron, D. P. 2001. Private politics, corporate social responsibility, and integrated strategy. *Journal of Economics and Management Strategy*, 10: 7-46.
- Baron, D. P. 2003a. *Business and its environment*. Upper Saddle River, NY: Prentice-Hall.
- Baron, D. P. 2003b. Private politics. *Journal of Economics and Management Strategy*, 12: 31-66.
- Baron, D. P. 2003c. *Competing for the public through the news media*. Working paper, Graduate School of Business, Stanford University, Stanford, CA.
- Besen, S. M., & Farrell, J. 1994. Choosing how to compete: Strategies and tactics in standardization. *Journal of Economic Perspectives*, 8(2): 117-131.
- Bikhchandani, S., Hirshleifer, D., & Welch, I. 1992. A theory of fads, fashion, custom, and cultural change as informational cascades. *Journal of Political Economy*, 100: 992-1026.
- Bonardi, J. P., Hillman, A., & Keim, G. 2005. The attractiveness of political markets—implications for firm strategy. *Academy of Management Review*, 30: 397-413.
- Bovitz, G. L., Druckman, J. N., & Lupia, A. 2002. When can news organizations lead public opinion? *Public Choice*, 113: 127-155.
- Brians, C. L., & Wattenberg, M. P. 1996. Campaign issue knowledge and salience: Comparing reception from TV commercials, TV news, and newspapers. *American Journal of Political Science*, 40: 172-193.
- Besley, T., & Burgess, R. 2002. The political economy of government responsiveness: Theory and evidence from India. *Quarterly Journal of Economics*, 117: 1415-1451.
- Burns, L., & Wholey, D. 1993. Adoption and abandonment of matrix management programs: Effects of organizational characteristics and interorganizational networks. *Academy of Management Journal*, 36: 106-138.
- Caplan, B. 2001. Rational irrationality and the microfoundations of political failure. *Public Choice*, 107: 311-331.

- Cialdini, R. 1993. *Influence: Science and practice*. New York: Harper Collins.
- Cyert, R., & March, J. G. 1963. *A behavioral theory of the firm*. New York: Wiley.
- David, P. A. 1985. Clio and the economics of QWERTY. *American Economic Review*, 75: 332–337.
- DeSimone, L., & Popoff, F. 2000. *Eco-efficiency: The business link to sustainable development*. Cambridge, MA: MIT Press.
- DiMaggio, P. J., & Powell, W. W. 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48: 147–160.
- Downs, A. 1959. *An economic theory of democracy*. New York: Harper & Row.
- Dyck, A., & Zingales, L. 2002. The corporate governance role of the media. In R. Islam, S. Djankov, & C. McLiesh (Eds.), *The right to tell: The role of the media in development*: 107–140. Washington, DC: World Bank.
- Economides, N. 1996. The economics of networks. *International Journal of Industrial Organization*, 14: 673–699.
- Emmons, W. 1993. *Burroughs Wellcome and the AZT case*. Case No. 793115. Boston: Harvard Business School Case Services.
- Epstein, E. 1969. *The corporation in American politics*. Englewood Cliffs, NJ: Prentice-Hall.
- Farrell, J., & Saloner, G. 1985. Standardization, compatibility, and innovation. *Rand Journal of Economics*, 16: 70–83.
- Fiske, S. T., & Taylor, S. E. 1991. *Social cognition*. New York: McGraw-Hill.
- Friedman, M. 1999. *Consumer boycotts*. New York: Routledge.
- Gamson, W., Fireman, B., & Rytina, S. 1982. *Encounters with unjust authority*. Homewood, IL: Dorsey Press.
- Getz, K. 1997. Research in corporate political action: Integration and assessment. *Business and Society*, 36: 1–24.
- Herman, E. S., & Chomsky, N. 1988. *Manufacturing consent—the political economy of the mass media*. New York: Pantheon.
- Hetherington, M. J. 1996. The media's role in forming voters' national economic evaluations in 1992. *American Journal of Political Science*, 40: 372–395.
- Hillman, A. J., & Hitt, M. A. 1999. Corporate political strategy formulation: A model of approach, participation, and strategy decisions. *Academy of Management Review*, 24: 825–842.
- Hillman, A. J., & Zardkoohi, A., & Bierman, L. 1999. Corporate political strategies and firm performance: Indications of firm-specific benefits from personal service in the U.S. government. *Strategic Management Journal*, 20: 67–81.
- Holburn, G. L. F., & Vanden Bergh, R. G. 2002. Policy and process: A game-theoretic framework for the design of nonmarket strategy. *Advances in Strategic Management*, 19: 33–66.
- Iyengar, S., & Kinder, D. R. 1987. *News that matters*. Chicago: University of Chicago Press.
- Katz, M.-L., & Shapiro, C. 1985. Network externalities, competition, and compatibility. *American Economic Review*, 75: 424–440.
- Keim, G. D. 2001. Business and public policy: Competing in the political marketplace. In M. Hitt, R. Freeman, & J. Harrison (Eds.), *Handbook of strategic management*: 483–601. Malden, MA: Blackwell.
- Keim, G. D., & Zeithaml, C. P. 1986. Corporate political strategy and legislative decision making: A review of contingency approach. *Academy of Management Review*, 11: 828–843.
- Kuran, T. 1987. Preference falsification, policy continuity and collective conservatism. *Economic Journal*, 97: 642–665.
- Kuran, T. 1989. Sparks and prairies fire: A theory of unanticipated political revolution. *Public Choice*, 61: 41–74.
- Kuran, T. 1995. *Private truths, public lies*. Cambridge, MA: Harvard University Press.
- Kuran, T., & Sunstein, C. R. 1999. Availability cascades and risk regulation. *Stanford Law Review*, 51: 683–768.
- Lenway, S., & Rehbein, K. 1991. Leaders, followers, and free riders: An empirical test of variation in corporate political involvement. *Academy of Management Journal*, 34: 893–905.
- Levy, D. L. 1997. Business and international environmental treaties: Ozone depletion and climate change. *California Management Review*, 39(3): 54–71.
- Liebowitz, S. J., & Margolis, S. E. 1990. The fable of the keys. *Journal of Law and Economics*, 33: 1–26.
- Liebowitz, S. J., & Margolis, S. E. 1994. Network externality, an uncommon tragedy. *Journal of Economic Perspectives*, 8: 133–150.
- Lord, M. D. 2000. Corporate political strategy and legislative decision making. *Business and Society*, 39: 76–93.
- Lyon, T. P., & Maxwell, J. W. 2002. *Interest group lobbying and corporate strategy*. Paper presented at the Conference on Business and Its Environment, Stanford University, Stanford, CA.
- Mahon, J. F. 1983. Corporate political strategies: An empirical study of chemical firm responses to superfund legislation. In L. E. Preston (Ed.), *Research in corporate social performance and policy*, vol. 5: 143–182. Greenwich, CT: JAI Press.
- Mueller, D. C. 1989. *Public choice II*. Cambridge: Cambridge University Press.
- North, D. 1990. *Institutions, institutional change, and economic performance*. Cambridge: Cambridge University Press.
- Oliver, C. 1991. Strategic responses to institutional processes. *Academy of Management Review*, 16: 145–179.
- Page, W. H. 1999. Microsoft and the public choice critique of antitrust. *Antitrust Bulletin*, 44: 5–63.
- Palmer, D. A., Jennings, P. D., & Zhou, X. 1993. Late adoption of the multidivisional form by large U.S. corporations: Institutional, political, and economic accounts. *Administrative Science Quarterly*, 38: 100–131.
- Rao, H., Greve, H. R., & Davis, G. F. 2001. Fool's gold: Social

- proof in the initiation and abandonment of coverage by Wall Street analysts. *Administrative Science Quarterly*, 46: 502–526.
- Schuler, D., Rehbein, K., & Cramer, R. 2002. Pursuing strategic advantage through political means: A multivariate approach. *Academy of Management Journal*, 45: 659–672.
- Spar, D. L., & La Mure, L. T. 2003. The power of activism—assessing the impact of NGOs on global business. *California Management Review*, 45(3): 78–101.
- Steger, U. 2003. *Corporate diplomacy*. Chichester, UK: Wiley.
- Sutter, D. 2001. Can the media be so liberal? The economics of media bias. *Cato Journal*, 20: 431–451.
- Wheeler, M., & Levenson, G. 1998. *Tobacco negotiations*. Case No. 899049. Boston: Harvard Business School Case Services.
- Wilson, J. 1980. *The politics of regulation*. New York: Basic Books.
- Yoffie, D. 1987. Corporate strategies for political action: A rational model. In A. Marcus, A. Kaufman, & D. Beam (Eds.), *Business strategy and public policy*: 43–60. New York: Quorum.

**Jean-Philippe Bonardi** is an assistant professor of management at the Richard Ivey School of Business, University of Western Ontario. He received his Ph.D. from the HEC School of Management (Paris). He studies business-government relations in regulated and deregulated industries, as well as in international contexts.

**Gerrald D. Keim** is associate dean for M.B.A. programs and professor of management in the W. P. Carey School of Business at Arizona State University. He received his Ph.D. in economics from Virginia Tech. His research focuses on business-government relations and corporate entrepreneurship.

Copyright of Academy of Management Review is the property of Academy of Management and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.