

# Frame or Get Framed: THE CRITICAL ROLE OF ISSUE FRAMING IN NONMARKET MANAGEMENT

**David Bach**  
**Daniel J. Blake**

*How a social or political issue is framed shapes the “nonmarket” context that surrounds it. Issue frames are not random; rather they are the product of strategic behavior by firms, government agencies, NGOs, and similar actors. Frames are not fixed and issues can be reframed over time. Framing is a powerful strategic tool that enables firms to shape the structure of the nonmarket environment to their advantage. This article identifies and illustrates five distinct pathways through which firms can shape different dimensions of the nonmarket environment. (Keywords: Business-Government Relations, Business and Society, Politics, Strategic Management)*

**C**apturing a central insight of behavioral economics, *The Economist* recently argued that “Our response to questions very much depends on how the issue is framed: we think surcharges on credit cards are unfair, but believe a discount for paying with cash is reasonable.”<sup>1</sup> The same applies to the social and political environment of business: whether the public supports a company’s quest to change government policy or heeds an activist group’s call for a boycott often depends on how an issue is framed. That fact that framing matters greatly for the way companies manage their “nonmarket” environment is evident when coal producers emphasize the benefits of energy *independence*, automobile manufacturers highlight the advantages of *clean diesel*, and Hollywood decries growing movie *piracy*. Despite the apparent prevalence of framing, however, most managerial tools guiding firms’ nonmarket management do not feature framing prominently. A number of consulting firms are certainly earning good money advising companies on how to speak about a given issue; but our experience working with senior executives across diverse industries

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suggests that few appreciate the extent to which strategic issue framing can affect the outcome of nonmarket interactions.

In this article, we show that framing not only affects our emotions—we love discounts, independence, and clean air while finding surcharges and piracy abhorrent—it also shapes which actors care about a nonmarket issue, how those actors perceive their interests, the political setting in which the issue plays out, and the information and assets that can shape how the issue is resolved. This makes framing a potent tool for nonmarket management. However, firms are not the only actors capable of deliberately framing an issue or changing how an issue is framed. Activists, NGOs, the media, and savvy politicians equally rely on framing and they are often as good or better at it than the most politically sophisticated firms. Managers therefore have to enhance their ability to recognize and exploit framing dynamics. To this end, we illuminate a series of pathways through which companies can frame for strategic advantage and outline practical steps they can take to frame more effectively. We also highlight limitations of framing and recommend ways firms can ensure they frame responsibly.

While our main goal is to encourage and enable managers to add strategic framing to their toolkit, this article also makes a number of contributions to the academic literature on nonmarket strategy. First, whereas earlier work treated nonmarket issues as static and exogenous to firm behavior, our findings suggest that issues and the way they are perceived can change over time as a result of deliberate strategic action. In his discussion of the role of the news media, for example, Baron argues that some issues are intrinsically interesting to the public whereas others are not.<sup>2</sup> Our research suggests that firms and other nonmarket actors can deliberately increase the newsworthiness of an issue through skillful framing.

Second, our findings reinforce the managerial perspective on nonmarket strategy.<sup>3</sup> Whereas earlier studies frequently employed an economic perspective on the firm's nonmarket environment stressing positioning, more recent work has focused on firm agency and deliberate strategic management of the nonmarket domain. In the case examples we analyze below, there is plenty of agency. Among the firms we discuss, Xstrata, Thomson Reuters, and Cisco all employed framing to proactively shape the nonmarket environment to their advantage. Meanwhile we show how other firms, such as Dubai Ports World, Nestlé, and Beef Products, Inc., tripped over nonmarket issues strategically framed by others.

Our approach is also highly compatible with renewed scholarly interest in strategic stakeholder management.<sup>4</sup> As we argue below, framing can play an important role in mediating the firm's interactions with key stakeholders. Furthermore, this article relates to growing interest in the political capabilities of firms.<sup>5</sup> While scholars have yet to reach consensus on what counts as a political capability and how firms can deliberately build their political capabilities, the cases examined in this article strongly suggest that the toolbox for effective corporate political management includes the ability to strategically frame issues.

David Bach is Senior Lecturer in Global Business and Politics at Yale School of Management. <david.bach@yale.edu>

Daniel J. Blake is Assistant Professor of Strategic Management at IE Business School. <daniel.blake@ie.edu>

We begin our inquiry into framing in the next section with a review of a case that made headlines in global management circles a few years ago: Dubai Ports (DP) World's failed acquisition of port operator P&O's U.S. assets. Precisely because the case received considerable media attention, it provides an ideal empirical setting to trace the varied and powerful effects of framing on the non-market environment and to highlight the limitations of current analytic and managerial frameworks.<sup>6</sup>

## How DP World Got Framed

In 2005, DP World, a leading global port operator owned by the Dubai government, was looking to expand its operations through the acquisition of P&O, a London-based rival with assets in 16 countries including the United States. To move forward with the acquisition of P&O's U.S. assets, DP World required the approval of the Committee on Foreign Direct Investment in the United States (CFIUS), a multi-departmental group responsible for assessing the national security implications of inward foreign direct investment (FDI). Application of standard issue-centered tools for nonmarket analysis, such as Bach and Allen's (ia)<sup>3</sup>-framework, show that DP World was well-positioned to obtain CFIUS approval. An extension of Baron's pioneering 4-i approach, the (ia)<sup>3</sup>-framework suggests breaking down nonmarket challenges along six dimensions: what is the *issue*? who are the *actors* with a stake in the issue? what are the actors' *interests*? in which *arena* does the issue unfold? what *information* moves the issue in this arena? and what *assets* do the actors need to prevail?<sup>7</sup>

DP World viewed the *issue* as framed by applicable U.S. law, i.e., whether its management of U.S. ports would pose a national security risk. The company was well prepared for the key *actors* it expected to engage in the *arena* in which decisions regarding inward FDI typically play out in the United States. Such issues are addressed within CFIUS where the main *interest* of participating government departments is to evaluate the national security risk of proposed investments against the broader backdrop of U.S. policy. To make this determination, they rely primarily on the analysis of factual *information*, including data provided by the petitioning party. In the case of DP World, the data revealed an excellent security record, a history of collaboration with U.S. authorities to boost port security, and a commitment to enhanced cooperation and information sharing with the Department of Homeland Security.<sup>8</sup> In terms of *assets*, the United Arab Emirates (UAE) was a key ally of the U.S. in the war on terror and the White House had signaled its support for the deal, a key asset given that CFIUS reported to the president. Thus, under the original frame, DP World was well positioned to clear the non-market hurdle of CFIUS approval: its *interests* were aligned with those of the critical political *actors*, the *information* most relevant in this particular *arena* supported its petition, and it could count on top-level political support as a critical *asset*. On January 17, 2006, CFIUS voted unanimously in favor of the deal. This should have been the end of the story and DP World's leadership indeed believed it was.

However, the situation changed dramatically in a matter of weeks. Unbeknownst to DP World, a Florida company, Eller & Co, that had a commercial

grievance with P&O, had hired lobbyists who had been circulating a memo on Capitol Hill criticizing the proposed deal and raising security concerns related to DP World's roots in the UAE. On February 14, they struck gold when NY Senator Charles Schumer blasted the proposed deal. "Foreign control of our ports, which are vital to homeland security, is a risky proposition," explained Schumer. "Riskier yet is that we are turning it over to a country that has been linked to terrorism previously."<sup>9</sup> Schumer's statement catapulted the issue into the media spotlight and set off a public firestorm. Within days numerous other actors, including both Democratic and Republican members of Congress, state governors, media pundits, and union leaders spoke out against DP World operating U.S. ports citing threats to national security deriving from DP World's ownership by the UAE. Even though Congress lacked jurisdiction to weigh in on specific transactions, a House panel voted near-unanimously to oppose the acquisition and the Senate drafted legislation to block it. Despite the fact that President Bush repeatedly spoke out in favor of the deal, denying the company posed a threat, DP World soon capitulated. Less than three weeks after Schumer's intervention, the company announced it would sell P&O's U.S. assets to a U.S. entity.

What had gone wrong for DP World? Schumer's intervention reframed the issue. His rhetoric and that of his allies changed the question from a technocratic "Does DP World's management of U.S. ports pose a security risk?" to a much more emotionally charged "Should a country associated with terrorism control our ports?" This simple act of reframing transformed the entire nonmarket environment, affecting all salient dimensions identified by the (ia)<sup>3</sup>. While only CFIUS departments had a stake in the *issue* as originally framed, the new frame mobilized a broad range of diverse *actors*. Their *interests* were highly diverse and many had ulterior motives for their positions. Schumer framed the issue in terms of terrorism, control, and the national origin of DP World because he sought to brandish his party's national security credentials in a crucial election year just five years after 9/11. Republicans feared being outflanked and they abandoned President Bush, whose sagging poll numbers increasingly made him a liability. Governors were hoping for new port security investments, unions looked to protect jobs, and media pundits sensed a ratings winner. Whereas CFIUS was the *arena* for the issue as originally framed, reframing made Congress and the media the critical arenas in which the issue unfolded. In these new arenas, *information* that became relevant were reports of some UAE citizens' ties to Al Qaeda, post-9/11 fears, public opinion, and anything that underscored the vulnerability of U.S. ports, rather than information about DP World's security record or the security-enhancing initiatives it had committed to undertake. Last but not least, DP World's principal nonmarket *asset*—support from President Bush and senior Administration officials—became a liability as Bush's mismanagement of Hurricane Katrina and growing insurgencies in Iraq and Afghanistan meant that the public's confidence in the President's judgment had diminished. While immaterial to CFIUS, Bush's standing with the public swayed the behavior of reelection-seeking members of Congress in the spring of 2006. Similarly, DP World's UAE state ownership now became a liability as numerous actors voiced concerns over an Arab state's influence over U.S. ports. Besides neutralizing DP World's nonmarket assets,

the reframing also elevated the importance of other assets that the company lacked, such as credibility on U.S. national security issues and media savviness.

Table 1 summarizes the transformation of DP World’s nonmarket environment between early February and late February 2006. Nothing material had changed in terms of threats to U.S. national security, DP World’s record, port operations, or legislation. Rather, a small but powerful group of nonmarket actors deliberately seized the issue and reframed it to advance their own interests at DP World’s expense. This episode thus clearly illustrates the limits of extant issue-centered approaches to nonmarket analysis, such as the (ia)<sup>3</sup>, if one does not account for the role of framing. Issues do not exist independent of how are they are framed and frames are dynamic and subject to change. Therefore, firms must be aware that any nonmarket issue analysis, as well as any conclusions or strategies that emerge from that analysis, are vulnerable to reframing. Furthermore, issue frames are not accidental or exogenous, but the product of intentional, strategic framing acts. Consequently, issue-based approaches to nonmarket management must account for the role that strategic issue framing can play.

**TABLE I.** The Nonmarket Environment for DP World Before and After Reframing

	<b>Before Reframing</b>	<b>After Reframing</b>
<b>Issue</b>	“Does DPW’s management of U.S. ports pose a security risk?”	“Should a country associated with terrorism control our ports?”
<b>Actors</b> with a stake in the issue	Bush Administration, government departments represented in CFIUS	Congressional Democrats, Congressional Republicans, governors, union leaders, media commentators
The relevant actors’ <b>Interests</b>	Protect U.S. national security, maintain strong ties with the UAE	Democrats want to win Congressional seats by brandishing their national security credentials; Congressional Republicans don’t want to be outflanked and have diminished loyalty to an unpopular president; governors hope that awareness of port security challenges will lead to new federal investments; union leaders want to protect port jobs and also hope for more investment; the media thrive on sensationalist reporting and the “story” has broad appeal in a post-9/11 environment
<b>Arenas</b> in which the issue unfolds	CFIUS	Media, U.S. Congress
<b>Information</b> that moves the issue	Facts and data about DPW’s security record, state of U.S. port security	UAE citizens’ alleged ties to Al Qaeda, post-9/11 fears, public opinion/polling, the vulnerability of U.S. ports
<b>Assets</b> needed to prevail	Top-level government support, solid track security track record	Credibility on national security, media-savviness

## Framing and Nonmarket Strategy

*Frames* are “schemata of interpretation” that help people understand and attach meaning to complex issues and events.<sup>10</sup> Frames achieve this by focusing attention on—and attributing greater importance to—particular aspects of an issue.<sup>11</sup> By focusing attention, frames promote “a particular problem definition, causal interpretation, moral evaluation, and/or treatment recommendation” for a specific issue or problem.<sup>12</sup> Frames filter what we see, but they themselves are often hard to see and recognize. *Framing*, in turn, consists of deliberate communicative actions intended to foster the development and maintenance of widely held frames. Framing is not the same as persuasion; persuasion is about changing beliefs through argumentation while framing is about shaping or changing the weight assigned to different beliefs one may already hold by emphasizing some considerations over others.<sup>13</sup>

Frames and framing have been relevant to research in management, sociology, and political science. Scholars have examined the role of: shared frames as conduits for collective action to achieve organizational change or to facilitate social movements;<sup>14</sup> the importance of shared frames and frame convergence in conflict resolution;<sup>15</sup> the impact of framing on public opinion and the public’s understanding of complex policy issues;<sup>16</sup> and the role framing plays in lobbying.<sup>17</sup> However, framing has received little attention in the context of nonmarket management and nonmarket strategy. This is surprising for three reasons. First, nonmarket issues are often complex and multidimensional, and they engage diverse values and principles that individuals may hold. This suggests that framing is likely to be critical in the construction and evolution of nonmarket issues. Second, framing is a strategic act whereby actors deploy frames to meet specific objectives such as securing allies and mobilizing support. Finally, framing is directly relevant to several areas of inquiry on firms’ management of their social and political environments, particularly research on stakeholder theory and political capabilities.

Stakeholder theory, in the broadest sense, views firms as embedded in networks of relationships with various actors and groups and posits that effectively managing those relationships is key to ensuring competitive advantage, profitability, and firm survival.<sup>18</sup> Scholars have identified steps firms can take to improve their stakeholder relationships including building trust, investing in corporate social responsibility, satisfying the needs and interests of constituents, lobbying policymakers, and forming alliances with NGOs.<sup>19</sup> Framing has been largely absent from this work. Yet framing is a critical feature of stakeholder management because it shapes how stakeholders perceive contentious issues, thereby shaping expectations vis-à-vis the firm and its behavior.<sup>20</sup> More fundamentally, as the case of DP World shows, framing affects what actors (or stakeholders) become involved in an issue and how they see their interests (or stakes) being affected.<sup>21</sup>

Framing is also relevant to the growing body of research on political—or nonmarket—capabilities, defined as “knowledge and skills that enable firms to manage the public policy process [to their advantage].”<sup>22</sup> Researchers have identified a range of capabilities such as lobbying knowhow, the ability to identify key actors and form coalitions, understanding policymaking dynamics, the ability to

leverage political resources, and effective monitoring of the firm’s external environment to identify emerging issues.<sup>23</sup> There is growing consensus that firms develop these nonmarket capabilities through experience and that once acquired they can be an important source of competitive advantage.<sup>24</sup> Extant research has yet to explicitly consider framing as a nonmarket capability. Our research suggests that it is a particularly important one because many of the capabilities cited in the literature, such as lobbying and coalition formation, involve communication with other nonmarket actors in an effort to engage or mobilize, i.e., settings where framing matters. In this regard, framing can be seen as a capability that integrates with and catalyzes the deployment of other nonmarket capabilities such as lobbying.

### How Framing Can Transform the Nonmarket Environment

While framing is a key concept for related literatures on stakeholder management and political capabilities, our principal interest is in the role that framing plays in shaping the nonmarket environment and specifically how strategic (re-)framing can enable firms and other actors to transform the nonmarket environment to their advantage. Table 2 captures five distinct pathways through which strategic issue framing can shape the nonmarket environment that map onto dimensions of the (ia)<sup>3</sup>-framework. While framing or reframing an issue can transform multiple dimensions of the nonmarket, most framing acts will ultimately affect one dimension more than the others. For this reason, we trace how framing can shape each individual nonmarket dimension and convey strategic benefits to the framer. We illustrate each pathway with a case in which two alternative frames are forwarded for the same issue. This within-case comparison also brings into sharp relief the dynamic nature of issue framing and the

**TABLE 2.** Five Pathways for Nonmarket Transformation through Framing

Nonmarket Dimension	Pathway	Case Example
Actors	Bringing in new actors	Media coverage of Lean Finely Textured Beef as “pink slime”
Interests	Shaping existing actors’ interests	Australian mining industry’s campaign over proposed tax reform
Arenas	Switching to a more favorable arena	Reuters’ response to proposed rules for financial information services in China
Information	Sorting types of information into “relevant” and “not relevant”	The controversy over pharmaceutical patents and access to affordable drugs in developing countries
Assets	Influencing which assets matter	Cisco’s campaign to keep Huawei and ZTE out of the U.S. market for telecom equipment

absence of static or predetermined frames. While several of our cases feature firms in the driver's seat, others show that activists and the media are equally capable of framing issues in their favor.

### ***Pathway 1: Framing to Bring in New Actors***

*Case Example:* Media coverage of Lean Finely Textured Beef as “pink slime”

*Original Frame:* Safety and nutritional value of beef trimmings

*Media's Frame:* Social acceptability of human consumption of beef trimmings

How an issue is framed affects which actors believe they have a stake in the issue. Frames that are broad and flexible are more likely to appeal to and mobilize a broader group of actors than narrower and more rigid frames.<sup>25</sup> These broader frames are often called “master frames” and can be used strategically to help establish linkages and common cause among diverse groups over a variety of issues.<sup>26</sup> The case of the sudden demise of Lean Finely Textured Beef (LFTB) powerfully illustrates how the strategic imposition of a master frame around “social acceptability” was central to the mobilization of a broad range of actors regarding an issue few had previously cared about.

Prior to 2011, the issue of salvaging, processing, and selling the trimmings left over after the larger cuts of beef had been removed from cattle carcasses had been framed in terms of safety and nutritional value. During the late 1980s, Beef Products, Inc. (BPI) explored various techniques for processing leftover trimmings until eventually, in 1993, the U.S. Department of Agriculture (USDA) approved their production of “Lean Finely Textured Beef” and permitted its inclusion in products labeled as ground beef.<sup>27</sup> LFTB is created by removing fat from trimmings using heat and centrifuges and then killing bacteria with ammonium hydroxide gas. Beef marketers liked LFTB's low fat content and by 2011 about 70 percent of ground beef sold in the U.S. contained LFTB.<sup>28</sup>

BPI's development of LFTB seemed like a genuine success story: more meat could be obtained from each head of cattle and the treatment process reduced the risk of diseases such as E. coli.<sup>29</sup> But things started to go wrong for BPI in 2011 when celebrity chef Jamie Oliver spoke out forcefully against LFTB on his cooking show. Attempting to mimic its production on-air, he put beef trimmings into a washing machine before dousing them with ammonia. While McDonald's and other major fast food chains quietly discontinued their use of LFTB in response, the issue gained additional scrutiny in March 2012 when ABC News ran a feature on LFTB's widespread use in U.S. school cafeterias, restaurants, and supermarkets. ABC News labeled LFTB “pink slime,” a term originally coined by a USDA microbiologist in 2002 in an internal memo, and showed images of LFTB as a pink slime-like substance.

The uproar was immediate as millions became instantly aware of “pink slime” in their ground beef. Within days, an online petition asking the USDA to ban LFTB from school lunches received more than 250,000 signatures. The call was echoed by 41 members of Congress who signed a letter to the Secretary of Agriculture, prompting the USDA to allow school districts to opt out of serving beef containing LFTB. Meanwhile, Jamie Oliver's team launched

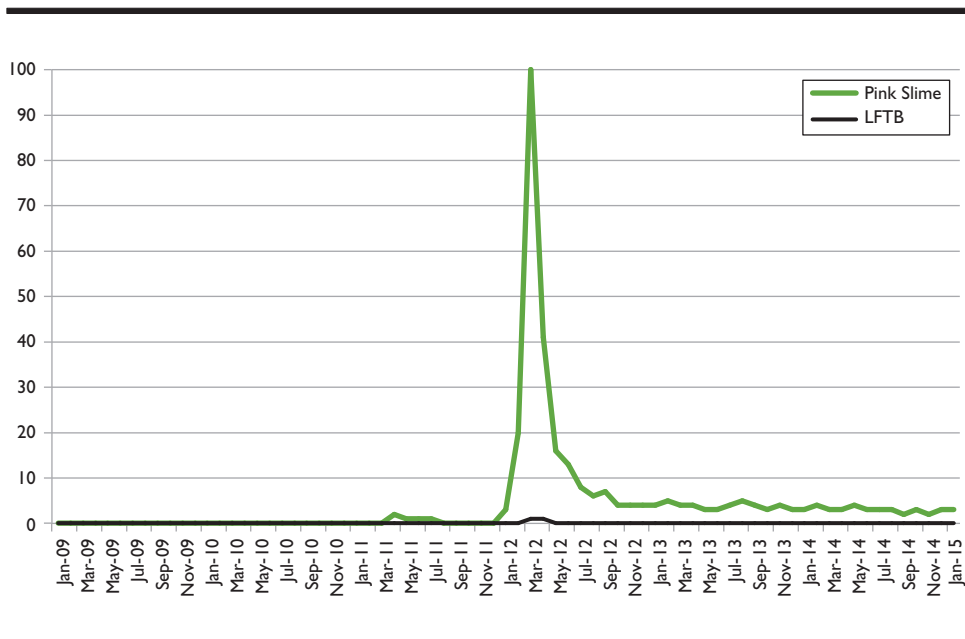


<http://StopPinkSlime.org>. By the end of the month, leading supermarket chains, citing “considerable consumer concern,” announced they would either suspend the sale of products containing LFTB or clearly label them. Indeed, an early April 2012 survey found that that 88 percent of American adults were aware of “pink slime” and among them 76 percent were at least “somewhat concerned” about it.<sup>30</sup> Figure 1 shows Google Trends results for “LFTB” and “pink slime.” The data not only show the huge spike in interest following the ABC newscast, but also that LFTB had not mattered to the public for years.

Why were so many people suddenly concerned with LFTB? Starting with ABC News, the media coverage of LFTB reframed the issue around “social acceptability,” i.e., whether or not it is appropriate to eat the trimmings that make up LFTB.<sup>31</sup> News reports frequently mentioned the fact that beef trimmings were traditionally included in pet food but were now being used as “cheap filler,” suggesting they were not appropriate for humans.<sup>32</sup> On his program, Jamie Oliver claimed that the trimmings were “not fit for human consumption” and that through BPI’s processes “you’ve just turned dog food into potentially your kids’ food.”<sup>33</sup> In addition, constant reminders that LFTB production involved ammonium hydroxide and the use of the term “slime” encouraged individuals to view the product as an unnatural chemical substance. Reframing meant the issue was no longer whether LFTB was safe or nutritious, but whether or not humans should be eating chemically treated slime.

Social acceptability is a broad frame because judging what is and is not acceptable in society engages everybody. Consequently, once the issue had been reframed, many new actors who—unlike the USDA or Food and Drug Administration—were not experts on food safety, weighed in, including the media, bloggers, politicians,

**FIGURE 1.** Google Trends Results for LFTB and Pink Slime



school officials, and citizens. For the media, “pink slime” was a great story and bloggers and activists had found a new cause that played into existing preconceptions of corporate irresponsibility. Politicians and school officials sensed an opportunity to champion the cause of parents and their children. These actors were powerful because they shaped the demand for ground beef and LFTB. Indeed, demand plummeted and within weeks of the ABC News report, BPI was forced to suspend operations at three of its four plants, turning a \$2.3 million a week profit into a \$583,000 loss. Ironically, there is still no evidence that LFTB is harmful. However, effective issue reframing was enough to mobilize a previously uninterested yet powerful set of actors and drastically weaken the LFTB market.

### ***Pathway 2: Framing to Shape Interests***

*Case Example:* Australian mining industry’s campaign over proposed tax reform

*Government’s Frame:* Fairer distribution of mining revenues

*Mining Industry’s Frame:* Weakening a critical national industry and deterring investments

While framing affects which actors become involved in an issue, it can also shape how actors perceive their interests. Issues are often multidimensional, involving difficult and complex trade-offs, and framing can focus attention on specific gains or losses to certain actors. This was illustrated particularly vividly in 2010 when the efforts of the Australian mining industry defeated a government proposal to reform the country’s mineral taxation regime.

Prior to 2010, Australia’s mining industry had paid taxes primarily based on the volume of minerals extracted. As a result, when mining companies experienced a surge in profits during the 2000s on the back of growing demand and rising mineral prices, the associated increase in tax revenue was far more modest. In 2010, the Labour government sought to rectify this through a Resource Super Profits Tax (RSPT) based on profits, not volume, with a 40 percent levy on profits exceeding the 10-year bond rate. The government proposed that increased mining tax revenue should fund a lower corporate tax rate and greater public contributions to private pension plans, thus spreading benefits widely. It deliberately framed the proposed changes around “fairness” and long-run stewardship of the economy. In the words of Prime Minister Kevin Rudd, “Australians actually own these resources and deserve a fair share back from them.”<sup>34</sup> He contended that the RSPT “builds a stronger economy by using super profits earned from the resources owned by all Australians.”<sup>35</sup> The lower corporate tax in particular was to boost other industries’ competitiveness in the face of an appreciating Australian dollar driven by mining exports.

With its focus on fairness and redistribution, the government expected the proposal to have broad appeal. As one observer put it, “Imposing a hefty new tax on multinational mining companies to increase the superannuation savings for mums and dads: you don’t need a political science degree to see how a measure like that will play out in the electorate.”<sup>36</sup> However, the mining industry moved swiftly to reframe the issue, thereby transforming key actors’ perceptions of their interests. Working through the Minerals Council of Australia (MCA), the industry

launched a coordinated, nationwide, multi-million-dollar media and advertising campaign to move stakeholders' attention away from fairness and toward the potential costs of the RSPT. Adopting "Keep Mining Strong" as its slogan, the campaign argued that the RSPT would deter future mining investments and that the industry was the bedrock of Australia's economy. Moreover, the campaign deliberately raised the specter of "sovereign risk": since the tax was going to apply to existing projects, mining industry spokespeople argued it would deter foreign investment across the board. By using the term "sovereign risk"—language that is commonly associated with irresponsible government rent seeking, expropriation, and even default in volatile developing countries—the mining industry implied the RSPT would make Australia just such a country.

The industry's strategy was clear. It sought to frame the RSPT as an attack on a critical industry and harmful to Australia's reputation as an investment destination, thereby aligning the interests of the mining industry with those of citizens and businesses. Even though the tax reform had been designed to benefit non-mining businesses and the public, the campaign succeeded in denting support for the RSPT among its expected beneficiaries. Business and consumer confidence fell and opinion polls indicated a considerable drop in public support for the plan.

So effective was the industry's campaign that within weeks it contributed to weakening public support for Kevin Rudd as Prime Minister, which resulted in his own party removing him and replacing him with Julia Gillard. One of Gillard's first acts in office was to propose a significantly watered down version of the tax. Through swift reframing, the mining industry had thus turned a sure-fire vote-winning policy into an electoral liability, prompting an about-face by the government. Unlike the case of LFTB, the mining industry's reframing succeeded not by bringing in new actors but by changing the perceived interests of actors that were already engaged, namely, citizens and non-mining businesses.

### ***Pathway 3: Framing to Access the Most Favorable Arena***

*Case Example:* Reuters' response to proposed rule for financial information services in China

*Rejected Frame:* Free speech and freedom of information

*Selected Frame:* Economic competitiveness and violation of international trade rules

Each policy arena comes with a set of explicit or implicit rules that determine: who has standing, access, and authority; the processes of engagement; the outcomes that can be achieved; and the types of information and assets that can be deployed. Taken together, these constitutive rules make some arenas more conducive to an effective and desired resolution of a given issue. As a consequence, arena "shopping"—whereby actors seek to move an issue to the most favorable arena—can be a highly effective nonmarket strategy.<sup>37</sup> However, getting access to a particular arena often depends on how an issue is framed.<sup>38</sup> Moreover, the chosen arena can reinforce a preferred framing of an issue.<sup>39</sup> The case of Reuters' response to a regulatory challenge in China illustrates this mutually re-enforcing dynamic of strategic issue framing and arena access.

Reuters has long earned most of its revenue through financial information services (FIS) and by 2006, it was the market leader in China's rapidly expanding market where it operated with few government restrictions. However, in the fall of that year, Reuters learned that senior government officials were pushing Xinhua, the Chinese state-owned news agency, to gain a foothold in the global FIS market. Furthermore, a leaked speech by Tian Congming, Xinhua's president, suggested that the Chinese agency had recently copied an entire week's worth of Reuters' data to "continue our studies on Reuters in great detail, its products, and its ways of producing them." The goal, he explained, was "to realize our ultimate target of making [Reuters's products] replaceable."<sup>40</sup> Even more worryingly for Reuters, Xinhua was designated the country's new FIS regulator. It quickly "announced new rules banning competitors such as Reuters, Dow Jones and Bloomberg from directly soliciting subscribers to its financial information services on the mainland" and "said it will censor any of its rivals' content deemed harmful to national security."<sup>41</sup> For Reuters, this was a land grab by Xinhua, supported by senior government officials.

Initial Western condemnation of these events framed them as restrictions on the freedom of expression. In a blistering editorial, the *Wall Street Journal* wrote, "Freedom of information doesn't jibe with an authoritarian state whose power relies on controlling news. In recent years, Beijing has alternatively creaked opened, then slammed shut, the television industry and lifestyle magazines. Now it's trying to do the same thing with financial newswires."<sup>42</sup> Western policymakers echoed this sentiment. A spokesperson for the European Commission explained, "the 'important issue of freedom of expression' had been discussed during a EU-China summit at the weekend and that the Commission wanted to raise the issue during a human rights dialogue next month in Beijing."<sup>43</sup> Similarly, a U.S. State Department official called China's media policies "a breach of fundamental rights."<sup>44</sup>

In contrast, Reuters refrained from attacking Xinhua and stressed dialogue.<sup>45</sup> After a series of internal meetings, and working closely with Dow Jones and Bloomberg, Reuters designed a strategy that deliberately reframed the issue. Instead of joining the chorus stressing freedom of information or free speech, the company framed the issue as an economic question in terms of the impact on trade and competitiveness. Reuters executives argued in meetings with Chinese officials that the new rules would put Chinese FIS users at a competitive disadvantage and that they threatened the development of modern financial markets in China. With respect to trade, Reuters built a case in Brussels and Washington that the new rules violated China's WTO commitments. Framing the issue in terms of trade restrictions made it actionable under binding WTO dispute resolution procedures, provided that Reuters could convince the EU and U.S. to bring a case against China since only governments have standing at the WTO. A free speech or freedom of information issue frame, in contrast, would not have given Reuters this opportunity as freedom of expression is outside the WTO's purview.

Reuters' strategy created a self-reinforcing dynamic. Deliberately not framing the issue in free speech terms provided access to an arena, the WTO, where

Reuters felt it had leverage. At the same time, by pursuing the issue through the WTO, Reuters and its allies sent a message to Beijing that this was an economic issue, not a national security or human rights concern. This framing weakened the position of national security hardliners while creating an opening for economic modernizers within the Chinese government. The strategy was broadly successful. Less than a year after the EU and U.S. had brought a WTO suit, the parties settled the issue. China agreed to create an independent market regulator and lifted the restrictions on foreign FIS distribution. Looking back, Reuters' executives felt that rejecting the emerging freedom of speech frame and instead deliberately reframing the issue around competitiveness and trade had been critical to their success as it enabled access to the most favorable arena.<sup>46</sup>

#### ***Pathway 4: Framing to Shape what Information Matters***

*Case Example:* The controversy over patents and access to affordable drugs in developing countries

*Pharmaceutical Industry's Frame:* Patent violations are theft of intellectual property

*Critics' Frame:* Patent violations can help save lives

For many broad and complex issues, different kinds of information can be brought to bear. However, which information is most powerful and relevant depends on how an issue is framed. Frames sort information into "relevant" and "not relevant." Therefore, firms have a strong incentive to promote frames that stress aspects of an issue where the relevant information favors them and away from issue dimensions in which the relevant information harms their position. This practice has been particularly evident in the debate between the pharmaceutical industry and its critics since the late 1990s. Both sides have advanced competing frames when it comes to patents and drug access in developing countries. Each cites information consistent with its preferred frame, while largely dismissing the other side's information as irrelevant.<sup>47</sup>

The frame advanced by leading global pharmaceutical companies with respect to drug patent protection focuses on property rights and frames the unauthorized use of their property as "theft." With this frame, the relevant information involves technical aspects of patent law and licensing, the significant R&D investments and uncertain returns, and the losses suffered by the industry due to reverse engineering, parallel imports, or any other "unauthorized use" of their property.

To the industry's critics, the information put forth by major pharmaceutical companies to shape the public debate is secondary or even irrelevant. Public health advocates, development organizations, and governments in developing countries focus on the immense suffering of the poor who cannot afford life-saving Western drugs. Their frame does not focus on defending property rights but rather on saving lives using all available means even if this means violating Western patents. The relevant information under this frame is not the billions in R&D needed to make the first pill, but rather the miniscule amount to make the second pill. Within the "saving lives" frame, key information includes the

prevalence of diseases, mortality rates, and drug prices, contrasted with the profitability of the drug companies that own the patents.

Industry critics have been sufficiently successful that most global pharmaceutical companies today have elaborate corporate citizenship initiatives under which they give many millions of dollars worth of drugs away. However, in dealing with policymakers, the industry continues to push its property rights frame and stresses the losses from patent “theft.” While the industry and its critics have learned to work with one another, when it comes to debating current levels of patent protection, neither side has budged and each stands ready to provide ample information consistent with its frame to support its position.

### ***Pathway 5: Framing to Mobilize Assets***

*Case Example:* Cisco’s campaign to keep Huawei and ZTE out of the U.S. market

*Free Market Frame:* market success is driven by quality and price

*Cisco’s Frame:* Huawei and ZTE enable Chinese espionage

Companies possess a wide range of assets that can help them influence the course of nonmarket issues, such as reputation, social and economic importance, access to key decision makers, and financial resources. How an issue is framed affects which assets a company can utilize and/or how effective those assets will be in shaping an issue’s evolution. As most assets are relatively stable in the short- to medium term, companies benefit from frames that allow them to effectively leverage existing assets. Huawei’s and ZTE’s struggles to enter the U.S. market illustrate vividly how the company’s U.S.-based competitors were able to use issue framing to privilege their asset mix over their foreign competitors and protect their home turf.

The greatest competitive threat facing Cisco is the rise of China-based Huawei and ZTE as potent global producers of networking technology. In the market for routers sold to telecom providers, for example, Cisco’s global market share slipped from above 50 percent in 2008 to about 35 percent in 2013, while the combined share of Huawei and ZTE climbed from 12 percent to 26 percent.<sup>48</sup> Huawei, in particular, has become the provider of choice by routinely beating Cisco on price and now has sales in more than 140 countries. As *The Economist* remarked, “In Africa Huawei is everywhere, and welcome almost everywhere.”<sup>49</sup>

Yet the world’s biggest market for networking and communications equipment—the U.S.—remains effectively closed to Huawei. This is not because U.S. customers of such gear view Chinese products as technically inferior. Rather, Cisco, in close collaboration with U.S. policymakers, has worked to frame Huawei’s potential U.S. market entry as a national security threat. In 2011, Cisco assembled a report and presentation called “Huawei and National Security” that was “meant to help Cisco representatives persuade clients to reject Huawei on security grounds.”<sup>50</sup> According to the Washington Post, the report proclaimed, “Fear of Huawei spreads globally....Despite denials, Huawei has struggled to de-link itself from China’s People’s Liberation Army and the Chinese government.”<sup>51</sup> Cisco lobbyists delivered the same message in Washington and prompted Congress to launch an investigation that concluded, “Chinese telecom

firms Huawei and ZTE pose [a] security threat.” As House Select Committee on Intelligence Chairman Mike Rogers explained, “It could be a router that turns on in the middle of the night, starts sending back large data packs, and it happens to be sent back to China.”<sup>52</sup> Similarly, ranking committee member Dutch Ruppersberger commented, “China is cyberattacking us every day and we had real concerns about the role of Huawei and its connection to the Chinese government.”<sup>53</sup> However, as *The Economist* explains, “The [Intelligence Committee’s] report...is oddly devoid of hard evidence to support its draconian recommendations.”<sup>54</sup> These recommendations include a de-facto ban on acquisitions in the U.S. and a stern warning that U.S. companies should not conduct any business with Huawei or ZTE.

By deliberately framing Huawei’s and ZTE’s presence in the U.S. market as a national security issue, Cisco and its allies not only make them less attractive, but they also make themselves more attractive. This attractiveness derives from a simple asset that Huawei and ZTE cannot imitate—Cisco is American. Thus, through framing, Cisco has been able to focus attention on the nationality of equipment makers as a key asset, sidelining Huawei’s and ZTE’s strengths in terms of quality and price, and thereby protect its home turf while encouraging U.S. government efforts to thwart Huawei and ZTE’s expansion.

## Framing Effectively for Strategic Advantage

As shown, there are multiple pathways through which firms can shape the nonmarket environment to their advantage through strategic issue framing. However, simply engaging in framing does not guarantee success, particularly when multiple actors seek to establish competing frames. Indeed, there are many instances of firms exercising poor judgment when framing. Take, for example, Nestlé’s attempts to enforce a legal claim against Ethiopia. In 1975, Ethiopia’s government had nationalized a company whose parent Nestlé acquired in 1986. When Nestlé’s lawyers renewed a \$6 million compensation claim in December 2002, Oxfam and *The Guardian* newspaper drew public attention to the case and blasted the company for rejecting Ethiopia’s \$1.5 million settlement offer.<sup>55</sup> Stressing Nestlé’s annual profits in the billions and Ethiopia’s status as the world’s poorest country that was struggling with severe drought and famine, Oxfam framed the claim in moral terms around the need to alleviate suffering. In the words of their head of policy, Justin Forsyth: “This is not about legal rights but what is morally right. When 11 million people face famine, exceptions should be made.”<sup>56</sup> In the lead up to Christmas, the story caught the British public’s attention and they responded to Oxfam’s call for a letter writing campaign by sending 40,000 letters and e-mails to Nestlé’s headquarters.

Nestlé’s first response was to push a counter-frame that focused on legal principles. It stressed that the firm had the right to press its claim and that paying full compensation was in Ethiopia’s interest in order to become attractive as an investment destination. According to Nestlé CEO Peter Brabeck, the firm’s initial reaction was to “focus on the legal aspects of the issue.”<sup>57</sup> However, this legal frame had little appeal among a public more concerned with poverty and suffering

than legal principles. If anything, Nestlé's reframing efforts reinforced preconceptions that a rich multinational was unconcerned about a poor country's plight. Faced with mounting pressure, the company quickly changed course and framed the issue around assisting Ethiopia in its time of need: "We do think it's important for the long-term welfare of the people of Africa that their governments demonstrate a capacity to comply with international law, but we are not interested in taking money from the country of Ethiopia when it is in such a desperate state of human need."<sup>58</sup> The company accepted Ethiopia's \$1.5 million settlement offer and committed to donating those funds back to the country as aid.

Nestlé's experience shows that it is possible for large, successful companies that are leaders in marketing and brand development to misjudge a nonmarket situation and promote frames that are ineffective or strategically counterproductive. Nestlé was nimble enough to recover quickly but in order to do so it had to adopt a frame that aligned closely with the interests and values of its critics. Given this, what can firms do to boost their chances of framing success? Below we distill earlier studies and our own research into four prescriptions for effective framing.

#### *First, appeal to key audiences and be consistent*

Research shows that frames are particularly effective when they are selected and tailored to appeal to their intended target audience.<sup>59</sup> This means that firms must first identify which critical actors are already engaged in an issue and which additional actors, if any, they want to bring in to help shape the issue to their advantage. The next step is designing a frame that will resonate with key actors by appealing to their deeply entrenched values, principles, and interests. Nestlé's initial frame failed because the public cared little for upholding legal principles and more for alleviating the suffering of Ethiopia's population. Frames that appeal strongly often use emotive language that invokes powerful images, symbols, and ideas. The use of the word "slime," for example, conjures up images of substances that are unsanitary or repulsive, and this played a powerful role in making people believe that LFTB was not fit for human consumption.

The flipside of appealing to existing values is that frames are less likely to stick when they contradict individuals' values.<sup>60</sup> It can be tempting, therefore, to adopt different frames to appeal to different audiences. However, firms should eschew the adoption of many frames because it is difficult to isolate audiences from one another, particularly in a world of always-on communication and pervasive social media.<sup>61</sup> Exposing audiences to multiple frames makes framing efforts less effective. In contrast, what made the Australian mining industry's framing efforts so successful was that the same frame focused on economic harm and sovereign risk was repeated across the spectrum of communicative acts, including advertising, op-ed pieces, interviews with executives, and reports to investors.

#### *Second, frame early*

Firms frequently compete with other actors to establish a dominant frame in the minds of key stakeholders and research shows that frames are sticky once they have been established.<sup>62</sup> This suggests that there can be first-mover advantages to



framing.<sup>63</sup> However, when firms are caught off-guard, they may still have options, as the case of the Australian mining tax illustrates. Still, the mining industry prevailed because it moved very quickly and deployed overwhelming resources to entrench its alternative frame, thereby thwarting the government's efforts.

### *Third, maintain empirical credibility*

In order to be effective, frames must be consistent with events and evidence that audiences are familiar with or that framing agents can point to.<sup>64</sup> More importantly, the actions of actors pushing a particular frame must be consistent with the frame itself.<sup>65</sup> This is illustrated by the decision of Australian mining companies to shelve new mining projects in response to the government's tax proposals. Continuing these projects risked undermining the sovereign risk frame the mining industry sought to establish. From a strategic perspective, therefore, firms should avoid frames that they cannot back up with their actions in the past, present, or future, however appealing they may be to important audiences. Moreover, if a firm wishes to change its framing or adopt a new frame, it should be prepared to alter its behavior in order for that frame to be credible, as Nestlé did when agreeing to settle its claim against Ethiopia.

### *Fourth, select frames to increase your nonmarket influence*

We have illustrated ways in which framing can shape the role and influence of actors, interests, arenas, information, and assets but we have also noted that framing acts are unlikely to affect all of these equally. It follows that firms will benefit most when they clearly identify which of these nonmarket dimensions they primarily wish to affect through framing. There are two factors that firms need to take into account in this regard. The first is to be clear about what strategic advantage targeting a particular nonmarket dimension might deliver. For example, if the current arena is highly unfavorable, then the firm's priority may be to shift arenas and it should select a frame that is best able to facilitate that goal. The second factor is how malleable different aspects of a given nonmarket environment are. For instance, the actors involved in an issue may be largely fixed and framing efforts to bring in new actors may thus be futile. In such cases, firms would be better off employing frames that help shape the actors' perception of their interests. In short, framing is most effective as a tool of strategic nonmarket management when firms or other nonmarket actors advance a frame with clear objectives about how it will help them shape the nonmarket environment in their favor.

## **Limits of Framing**

While issue framing is critical to nonmarket management, it clearly has limitations. First, there is no guarantee of success. Framing often takes place in competitive environments in which multiple actors jockey to impose their preferred frame on the same issue. The four prescriptions outlined above increase the likelihood of framing success, but there is no surefire formula that guarantees one will not be outflanked by other skilled framers. Furthermore, there may be

elements beyond a firm's control that shape which frames take hold. For example, there is little doubt that Nestlé's litigation coming to light just before Christmas worked in favor of Oxfam's frame regarding supporting those in need. Framing and its effects are not independent of context.

Second, the need to maintain credibility means that firms are constrained in terms of the frames they can adopt. However appealing it may be to key audiences, firms cannot adopt frames that are inconsistent with their behavior. Similarly, firms will struggle to have an impact when adopting frames that are unrelated to their core activities because they are perceived as lacking authority.<sup>66</sup> In the case of DP World, for example, a key factor that cemented the UAE ownership/security threat frame was that it was communicated by senior elected officials charged with managing the affairs of state and thus perceived as authoritative on national security matters. Therefore, while firms seek to tailor frames to appeal to their audiences, they do not have an unlimited menu of frames to choose from. Rather, they must select frames that are consistent with their activities to maintain credibility and authority, which might take desirable frames off the table.

Finally, framing is unlikely to be effective in helping firms achieve their nonmarket objectives unless it is employed as part of a broader nonmarket strategy. Framing can help reshape and steer issues in directions where the nonmarket environment is advantageous to the firm given its nonmarket resources and capabilities. However, it cannot compensate for the lack of such resources and capabilities. Framing-enabled arena switching, for instance, is pointless if the firm's nonmarket position is weak across arenas. Similarly, framing becomes a more powerful tool when firms screen and monitor their nonmarket environment consistently as part of their broader nonmarket strategy. This helps firms identify new issues as they emerge, enabling them to frame early. Ongoing nonmarket analysis also affords firms a ready store of knowledge of the relevant actors and their values and interests, which puts them in a better position to frame effectively when the need arises. In short, the value of framing as a tool increases markedly when it is part of a broader strategic engagement with the nonmarket. Absent this, framing is unlikely to bring firms much reward.

## Conclusion: Towards Framing that is Effective and Responsible

The importance of frames and framing in the context of nonmarket management stretches beyond their strategic benefits. Frames play an important role in political and social debates by helping stakeholders make sense of and attach meaning to issues that are often quite complex. Besides gaining strategic advantage, firms and other nonmarket actors can also use framing to contribute constructively to the quality of public discourse. The flip side of this is that framing, like many potent management tools, can be abused. The power to shape how individuals and groups understand issues must be used responsibly. Actors should not use frames to willfully manipulate or mislead their audiences.

It is difficult to judge *ex ante* when a frame will be manipulative or misleading. What is clear though is that—regardless of the issue at hand—promoting a more

*inclusive* frame reduces the likelihood of abuse. Inclusiveness is not the same as breadth. A broad frame is one that can be applied to multiple different issues. An inclusive frame is one that addresses multiple dimensions of the same issue. By contrast, an exclusive frame focuses on just one narrow aspect of an issue. The media's framing of LFTB around social acceptability was broad but it was also deliberately exclusive—it cast the issue in a stylized and deliberately repulsive manner around “pink slime” and preemptively closed the door to consideration of alternative views or issue dimensions.

Highly exclusive frames raise concerns because they sideline many dimensions of an issue and potentially lead audiences to ignore issue dimensions that are important to their own welfare and the welfare of others. Admittedly, framing is about focusing attention on specific aspects of an issue. However, by adopting a more inclusive frame, firms create conditions for substantive engagement with other actors. This, in turn, permits a wider scope of competing arguments and considerations that can influence how an issue evolves, which should facilitate better, more sustainable, and more legitimate outcomes.

A key step to avoid potentially harmful frames is for senior management to assume responsibility and oversight over their organization's framing activities. Framing involves communicative acts and therefore it can be tempting to outsource or delegate framing to those with special expertise, such as strategic communication, public relations, or lobbying firms. While the dedicated resources and know-how of such experts can help, the core decisions about which frames to adopt and how the frame should be structured should be made by senior management teams charged with developing the firm's broader strategy for managing its market and nonmarket environments. These managers are best equipped to gauge the consistency of different frames with the organization's broader strategic initiatives and operations in the present and future. They are also most likely to be aware of the multiple dimensions of an issue and prevailing stakeholder concerns, and thus best equipped to know where and how to develop inclusive frames while maintaining focus on those dimensions that enable the organization to benefit strategically from framing.

The central goal of this article has been to highlight the critical role that framing plays in nonmarket management, illustrate pathways of deliberate nonmarket transformation via framing, and identify keys to effective framing. Important questions inevitably fall outside the scope of this article. For instance, anecdotal evidence suggests that narrow, technical frames pushed by governments or firms often get trumped by broader frames that appeal to people's emotions. Future research should explore whether certain types of frames are intrinsically more likely to stick than others. Similarly, we know little about when a frame reaches a tipping point and how to assess *ex ante* whether an already established frame can be dislodged. Precisely because framing plays such an important role in nonmarket management, we hope it will feature prominently in the research agendas of those interested in nonmarket strategy, stakeholder management, and political capabilities going forward. Managers who are more aware of the power of frames and who engage more effectively in strategic issue framing will certainly provide scholars ample material to work with.

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