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The influence of media scrutiny on firms' strategic eschewal of lobbying

Jinsil Kim[1] | Miranda J. Welbourne Eleazar[2] | Seung-Hyun Lee[3]

[1]Management, School of Business, The College of New Jersey, Ewing, New Jersey, USA

[2]Management and Entrepreneurship, Tippie College of Business, The University of Iowa, Iowa City, Iowa, USA

[3]Organizations, Strategy, and International Management, Naveen Jindal School of Management, University of Texas at Dallas, Richardson, Texas, USA

Correspondence
Jinsil Kim, Management School of Business, The College of New Jersey, Ewing, NJ 08628, USA.
Email: kimj@tcnj.edu

Abstract

Research Summary: Lobbying allows firms to influence the government to potentially limit firms' costs during product recall crises. However, such lobbying can elicit scrutiny from the media if the lobbying gives the impression that firms wish to save costs at the expense of safety, thereby appearing hypocritical. We theorize that when faced with negative media coverage of product recalls or recall-related lobbying, firms *strategically eschew* lobbying to limit further media scrutiny and its associated negative consequences. We test our hypotheses using the US auto industry's lobbying from 2008 to 2022. We provide further depth to our examination of strategic eschewal through 15 supplemental interviews of lobbyists about how the media influences firms' lobbying decisions.

Managerial Summary: Companies may resort to lobbying in efforts to reduce costs related to product recall crises, but such controversial lobbying may also tarnish their image. When confronted with negative media coverage of product recalls, or recall-related lobbying, companies are more likely to strategically refrain from lobbying to minimize additional, unwanted media spotlight and its associated negative repercussions. Managers should be mindful that even if lobbying may help limit the costs of recalls, it could also cause potential reputational harm. Thus, it is vitally important that managers pay attention to the reputational cues from the media, which can help them determine when lobbying may be problematic and allow them to pre-emptively refrain from such lobbying.

KEYWORDS

hypocrisy, lobbying, nonmarket strategy, product recalls, strategic eschewal

1 | INTRODUCTION

Strategic decisions are often fraught with the tension involving firms' actions (benefiting the firms and their shareholders) at the expense of other stakeholders or the environment, as seen in the shareholder value maximization versus stakeholder satisfaction debate (Sundaram & Inkpen, 2004). When these decisions cross the line and become unethical or hypocritical, particularly when hypocrisy is publicized by the media, they can have costly repercussions in the form of reputational harm to firms. Such examples have been seen in firms that prioritize their company's bottom line over human rights, such as the controversy over Nike's sweatshops during the 1990s (Beder, 2002) and internal pushback over Exxon's carbon footprint in the face of climate change (Phillips, 2021). In each of these examples, media scrutiny of firms' actions led to the condemnation of these firms by stakeholders, such as customers and employees. Media scrutiny may be particularly important when hypocritical firm activities can give rise to stakeholder harm, such as in the case of product recalls.

This issue of potentially being seen hypocritical is especially relevant in the context of nonmarket strategies, wherein corporate political activity (CPA), such as lobbying can generate increased media scrutiny and condemnation. Firms may strategically balance their CPA when they encounter media scrutiny, through means such as limiting political support of politicians (McDonnell & Werner, 2016) and investing more in corporate philanthropy (Jia et al., 2018). However, questions remain as to how firms avoid damaging media scrutiny of particularly harmful events such as product recalls. This is especially important when lobbying can materially help firms avoid costly remedies, but doing so can also elicit public outrage. In this study, we consider how firms manage lobbying on product safety recall issues while also addressing the concerns of increased media scrutiny of such lobbying that can potentially harm customers. Thus, we ask: How are a firm's lobbying decisions shaped by media attention to public safety issues, such as product recalls?

Refraining from lobbying to avoid further scrutiny and backlash from the media can have potential upsides and downsides for firms, particularly in the areas of product safety and recalls. On the one hand, firms can avoid negative outcomes associated with increased scrutiny including appearing hypocritical. On the other hand, firms may risk losing the benefits that they would have achieved by engaging in lobbying to manage recalls. Therefore, it is vital to understand how firms strategically decide how to reconcile their need to engage in lobbying for their benefit while also avoiding the negative consequences associated with media scrutiny. We address these issues by studying auto firms' consideration of media coverage in their decisions of whether to lobby the government on safety recalls and related matters.[1]

[1]We focus on safety recalls specifically instead of the other type of motor vehicle recall, which involves emissions recalls. Hereinafter, when we refer to “lobbying” or “lobbying for recalls,” we mean lobbying the government on issues related to product safety recalls.

Lobbying has significant benefits, especially with regard to product recalls that can end up quite disastrous (Johnson-Hall, 2017; Pearson & Clair, 1998). One way to limit the negative consequences associated with recalls is to engage in lobbying to lower their penalties (Adelino & Dinc, 2014; Delmas, Lim, & Nairn-Birchet, 2016), such as when Toyota avoided paying $100 million in penalties related to unintended acceleration recalls in 2010 (U.S. House of Representatives, 2010). Increasing lobbying spending by approximately $417,014 has been shown to lead to one less recall, saving firms millions of dollars since each recall conservatively costs around $12 million (Singh & Grewal, 2023).

Despite its benefits, lobbying can potentially cause firms reputational harm if publicized, even if it is not malicious (Barber & Darrough, 1996; Ivory, 2015; The Center for Public Integrity, 2014). It is especially so when consumers suspect firms lobby on product safety issues. The discrepancy between a firm's need to prioritize consumer safety and its lobbying to limit costs may be highlighted by the media, potentially resulting in negative perceptions of hypocrisy (Brunsson, 1989; Carlos & Lewis, 2018). For example, the media described Toyota as "lobbying for less rigid actions from regulators to protect their bottom-line" related to an unintended acceleration defect (Linebaugh et al., 2010). Similarly, media attention to how GM tried to persuade federal government officials that their automobile defects were not dangerous (Barber & Darrough, 1996), led to its fall from grace in the public eye (Corbett, 2003; Higgins & Green, 2014). As such, firms find themselves in a dilemma of whether to engage in recall-related lobbying to limit their immediate financial losses or to refrain from lobbying to avoid the threat of reputational harm (Sohn et al., 2014).

In addressing our research question of how firms' lobbying actions are shaped by media scrutiny, we theorize that, in response to increased media scrutiny, firms will *strategically eschew* lobbying. Broadly, we postulate that *strategic eschewal* encompasses *a firm's strategic decision to refrain from engaging in actions that would otherwise be financially beneficial*. Strategic eschewal is not simple avoidance but eschewing something that may be considered socially harmful, hypocritical, or reputational damaging in some way, despite its potential value to the firm. We posit that firms are aware of the potential backlash of lobbying, and therefore limit (or *strategically eschew*) such lobbying when they prioritize the threat of reputational harm from increased media scrutiny over the immediate financial benefits of lobbying. As such, firms would deliberately withhold lobbying on product safety issues following negative media coverage related to product recalls. By strategically eschewing lobbying, firms can avoid backlash before it plays out in public.

We test our theory using auto firms' lobbying responses to news about product recalls and lobbying. We use multiple data sources and a sample of 3747 manufacturer-recall observations related to auto recalls and lobbying in the United States from 2008 to 2022 to find that firms withhold lobbying in response to negative media attention toward (1) product recalls and (2) lobbying related to product recalls. To deepen our theorization and obtain further evidence in support of our findings, we conduct 15 information-gathering interviews of lobbyists and heads of external affairs overseeing firms' lobbying activities. Those interviews highlight the importance of the media on firms' decision of whether to lobby, particularly when that lobbying may have negative consequences in the public eye.

This article contributes to the literature on nonmarket strategies in response to media scrutiny, particularly when lobbying is suspected to compromise public safety-related issues that can come across as hypocritical. Prior lobbying literature has primarily focused on the benefits of lobbying (Bonardi et al., 2005; Lawton et al., 2013). However, we theorize that firms are aware of the potential appearance of hypocrisy and the negative outcomes from lobbying amidst media scrutiny of product recalls. Thus, they are likely to adjust their nonmarket strategy to avoid penalties from potentially hypocritical lobbying. By introducing the concept of the strategic eschewal of lobbying, we extend the literature on nonmarket strategies that has considered how stakeholders' perceptions affect firms' nonmarket strategies (McDonnell & Werner, 2016) and expand on how firms strategically address media scrutiny, particularly in the area of product safety.

2 | THEORETICAL BACKGROUND

2.1 | Product recalls and lobbying

Product recalls are costly (Pearson & Clair, 1998): these include the direct financial costs of repairing or replacing unsafe products; they also include reputational costs and civil penalties that can harm the firm's image (Chen et al., 2009; Eilert et al., 2017; Johnson-Hall, 2017). Recognizing the significant costs associated with product recalls, firms may be compelled to use political maneuvers such as lobbying to lessen the penalties from these recalls. In addition, successful lobbying may allow firms to limit costs by avoiding recalls altogether or softening their blow (Pearson & Mitroff, 1993).

However, past research has found that lobbying can result in significant costs in the forms of condemnation and negative responses (Gros & Worret, 2016), given the widespread negative view of corporate lobbying with regard to certain issues (Anastasiadis, 2014; Hacker & Pierson, 2010). Lobbying is "often perceived as an opaque activity of dubious integrity, which may result in undue influence, unfair competition and regulatory capture" (Organization for Economic Co-operation and Development, 2014, p. 1). While not all lobbying is malicious, if publicized, regardless of its true intention, lobbying can easily be seen as a selfish action that benefits only the lobbying firm (Barber & Darrough, 1996; Ivory, 2015; The Center for Public Integrity, 2014). Because lobbying is often perceived as a self-interested action, such lobbying may be viewed as an attempt to avoid the need for a recall and its associated costs (Anastasiadis, 2014; Gokalp & Lee, 2013; Hacker & Pierson, 2010).

Especially when media hints the possibility of lobbying might be related to recalls, the consequences for the firms can be disastrous. For example, the *Wall Street Journal* reported that, in order to avoid additional recalls of its 5.3 million cars with defects, GM tried to persuade federal government officials that the defects were not dangerous, even if the rear wheel and axle frequently fell off the car (Barber & Darrough, 1996). As a result, GM was questioned on its integrity in the public eye for having lobbied to limit the costs of their recalls (Corbett, 2003; Higgins & Green, 2014). Similarly, the *LA Times* noted that Chrysler had initially refused to implement a recall and walked away with a "lower cost option"; some safety advocates believed that the lower cost option made the cars even more dangerous (Hiltzik, 2014, p. 1) as such, given its "alleged inherently selfish, irresponsible nature" (Bauer, 2014, p. 65), lobbying can lead to "adverse publicity and reputational and other losses" (Repetto, 2007, p. 84). Firms engaged in such lobbying are perceived as trying to minimize their financial penalties instead of accepting responsibility and prioritizing consumer safety (Gokalp & Lee, 2013). Thus, lobbying may be viewed as suspicious and hypocritical, potentially hurting the firm's image in the eyes of consumers, especially when lobbying would be viewed as an effort to cover up mistakes or wrongdoing (Gomulya & Mishina, 2017; Vadakkepatt et al., 2022; Zavyalova et al., 2012).

2.2 | Strategic eschewal of lobbying

Firms often try to manage their public image to prevent potential reputational threats (McDonnell & King, 2013). Such tactics may include overt actions, such as making claims and engaging in actions that cultivate positive perceptions (Bass et al., 2021; Elsbach, 1994; Noack et al., 2019), or more passive forms, such as hiding some successes to manage peers' reactions to those successes (Roberts et al., 2021), remaining strategically silent as to their environmental certifications (Carlos & Lewis, 2018), or using the press to manage stakeholders' negative expectation violations (Graffin et al., 2016). Similarly, firms that mistreat their primary stakeholders are likely to remain silent about their charitable donations (Wang et al., 2021).

We broaden this work to include deliberate inaction. Specifically, our concept of *strategic eschewal* includes the deliberate avoidance of underlying actions that would benefit the firm while potentially appearing hypocritical and creating potential reputational harm. Strategic eschewal is also in line with image protection efforts: it involves withholding certain actions with the specific purpose of avoiding reputational harm associated with media coverage of the firm's actions, which may appear hypocritical. This tendency would be especially pronounced in industries where firms frequently claim to promote customer safety, such as the auto industry. For example, according to the Alliance of Automobile Manufacturers, a trade association representing 12 automakers that represent 77% of all car and light truck sales, its "highest priority is safety" (Auto Alliance, 2018). Engaging in lobbying while extolling a commitment to consumer safety would make these firms look hypocritical and untrustworthy, potentially resulting in reputational harm and declining performance (Brunsson, 1989; Gomulya & Mishina, 2017). Thus, we explore how firms become aware of the need to engage in the strategic eschewal of lobbying.

2.3 | The media and lobbying

Specifically, we consider the media's role in prompting firms to engage in the strategic eschewal of lobbying. The media serve as a social arbiter, making evaluative judgments of actors (Deephouse, 2000; Wiesenfeld et al., 2008); by disseminating their evaluations of firms (Dorobantu et al., 2017), the media reduce consumers' uncertainty about firms (Fombrun & Shanley, 1990; Weigelt & Camerer, 1988). As consumers have limited direct experience with a firm and may be uncertain about evaluating the firm's behavior, they rely on information intermediaries—such as the news media—to "screen, spin, and broker information" and help stakeholders "make sense of companies' complex activities" (Fombrun, 1996, p. 139). The media also provide various cues regarding the public's opinions, and thus serve as an important source of information regarding prevalent opinions in society (Hoffman, 2013).

Past studies emphasize that media attention is a "good indicator of the amount of information available about a target or event (King & Soule, 2007) and it is also an indicator of a stakeholder's relevance in public discourse" (Dorobantu et al., 2017, p. 581). Thus, in turn, it directly affects "the cognitions, appraisals, emotions, and behaviors of the media subjects" (Kepplinger & Glaab, 2007, p. 338). The subjects of media assessment pay close attention to how they are being portrayed, which shapes their subsequent decisions (Kepplinger & Glaab, 2007).

Many studies have expanded on theories discussing the agenda-setting role of the media (e.g., Dorobantu et al., 2023; McCombs & Shaw, 1972). For example, Dorobantu et al. (2017)

find that media coverage of ESG issues focuses the attention of various stakeholder groups to these issues, leading to greater financial risk (Kölbel et al., 2017) and a higher probability of CEO dismissal (Burke, 2021). As such, "media coverage can shine a light on firm actions that would otherwise be undetected or less salient to firm constituents" (Bednar et al., 2013, p. 913), and may consequently determine the subsequent actions of those firms that are media subjects.

Drawing on the importance of the media in shaping strategic decisions, we theorize that firms strategically eschew lobbying in response to external reputational cues that suggest greater negative media attention to their recalls and lobbying. We expect that such cues will make these firms realize that lobbying may result in greater harm than good, thereby prompting firms to refrain from lobbying. We consider how the media can influence firms' lobbying behavior at the time of a recall by examining: (1) the adverse effect of the negative publicity of recalls (hereinafter *negative publicity of recalls*) and (2) the adverse effect of the negative publicity of recall-related lobbying (hereinafter *negative publicity of recall-related lobbying*). Our specific hypotheses are discussed below.

3 | HYPOTHESES DEVELOPMENT

3.1 | Negative publicity of recalls and the lobbying decision

During periods of uneventful recalls, firms may engage in lobbying, as it may "pass" as inconspicuous (Kougiannou & Wallis, 2019) in terms of the benefits that lobbying brings. However, when recalls catch the media's attention, resulting in negative media reporting that may stir up potential customers, recalls become more salient (Desai, 2011a, 2011b), serving as a cue that the firm's actions in dealing with such recalls would be more important. This increases the likelihood that lobbying would be seen as hypocritical and may lead to greater reputational harm.

On top of this, the media's strong negativity bias (Niven, 2001) caters to the fundamental human nature of perceiving negative information as more interesting than positive information (Rozin & Royzman, 2001). Negative information is perceived to be as much as five times more important than positive or neutral information (Richey et al., 1975; Zhang, 2016), as bad press is processed more thoroughly (Gamache & McNamara, 2019). For example, Toyota's recalls amid fatal highway accidents were among the top-reported stories in the following weeks (Gokhale et al., 2014). Such negative news directs consumers' attention toward irresponsible, fatalistic aspects (Lange & Washburn, 2012), which would amplify the hypocrisy concerns tied to lobbying and related recalls, as negative news would make it more unacceptable for a firm to engage in lobbying to minimize the costs of such recalls rather than do what is right for consumers.

Thus, we expect that firms would respond to negative media coverage—*negative publicity of recalls*—by being more cautious about engaging in behavior that could be seen as contrary to product safety, which is one of the most integral features of automobiles. We argue that firms may withhold certain actions that could aggravate the situation. For example, potential harm to a firm's reputation is a reason for a firm not to adopt a particular tax-planning strategy, even if reputational harm often does not actually occur (Graham et al., 2014). They may also downplay (Carlos & Lewis, 2018) or manage stakeholder expectations (Graffin et al., 2016) to avoid appearing hypocritical. Similarly, in the presence of negative media coverage involving firms and related product safety recalls, we expect that firms would attempt to avoid potential reputational harm and would strategically eschew lobbying that could be easily detectable by the media.

Hypothesis H1. The greater the negative publicity of a firm's product safety recalls, the less likely it is to engage in lobbying for recall-related issues.

3.2 | Negative publicity of recall-related lobbying and the lobbying decision

As argued above, the media's choice of what to report can directly affect public opinion (McCombs & Shaw, 1972), and thus is an "important determinant of firm action" (Bednar et al., 2013, p. 912). For this reason, negative publicity of a firm's specific action can sway the firm to cease engaging in that very action. In H1, we reasoned that, in the case of negative publicity involving *recalls*, hypocrisy concerns tied to lobbying for recalls become amplified, leading to strategic eschewal. However, for negative media reporting on *recall-related lobbying* in particular, the mechanism is more specific due to the incorporation of lobbying in conjunction with recalls.

In addition to the increased coverage of lobbying, the tone and framing (Golan & Wanta, 2001; Pollock & Rindova, 2003; Tedesco, 2001) of such coverage is also important. Specifically, we argue that greater negative media reporting of recall-related lobbying would make the firm realize that its lobbying is more problematic. In the United States, media coverage of lobbying in general is a staple of policy analysis, as corporate lobbying activities are ubiquitous and generally recognized as a First Amendment right (Ostas, 2007). However, corporate lobbying activities are often related to scandals and wrongdoing (Chen et al., 2019). These lobbying activities have also been criticized as shady "back-room deals" with "special interests" (Anastasiadis, 2014, p. 26),[2] as lobbying may often be used to gain unfair preferential treatment (Dal Bó, 2006). News coverage with such negative connotations highlighting the dark side of lobbying may delegitimize the lobbying practice, generating negative views and further suspicion in the public and making stakeholders more likely to reject such lobbying. This would be particularly so when the media is covering lobbying related to public safety issues such as product recalls.

Given that the media's negativity bias caters to readers' interests and stimulates speculations (Gamache & McNamara, 2019), the negative tenor of media coverage has been found to affect firm strategies (Durand & Vergne, 2015). When the negative aspects of lobbying are touted in the media, such as creating undue influence, unfair competition, and regulatory capture regarding highly controversial topics, lobbying has the potential to cause greater reputational harm to the firms engaged in it, leading to financial risks (Smith & Keenan, 2018). We thus expect that the negative media coverage of recall-related lobbying would make the consequences of lobbying for recalls even more salient (Desai, 2011a, 2011b). While the main concern with the negative publicity of recalls is the potential perception of hypocrisy, in the case of the negative

[2]Some examples from our sample include: (1) an article regarding the lobbying of the "Big Three" automakers for a $25 billion bailout to avert bankruptcy (Terlep & Mitchell, 2008); (2) an article mentioning that Toyota used lobbyists to diffuse controversy and avoided gaining public attention regarding its malfunctioning accelerators, shifting the blame from itself to others (Economist Intelligence Unit, 2010); and (3) an article on Porsche lobbying US lawmakers in an attempt to influence fuel-economy legislation that put it at a disadvantage, amidst German manufacturers' heavy lobbying to water down a plan for emissions reductions (Stoll, 2007).

publicity of firm recall-related lobbying, the mechanism is focused on the intense scrutiny of that very action of lobbying related to product recalls. Thus, a firm would be mindful of the risks of further engaging in controversial recall-related lobbying and would strategically eschew such lobbying.

Hypothesis H2. The greater the negative publicity of a firm's recall-related lobbying, the less likely it is to engage in lobbying for recall-related issues.

4 | METHODS

We test our hypotheses in the context of product recalls involving light motor automobiles (passenger cars and light trucks) in the United States. We use manufacturer-recall as our unit of observation and match each recall with other variables at the quarterly level, as lobbying data are available quarterly. Further, given that data on lobbying *issues* are available effective 2008 Q1 (discussed further in the next subsection), we use this period as the starting quarter for our sampling timeframe; 2022 Q1 serves as our ending period. We use Ward's Intelligence database to identify all 20 manufacturers, which collectively account for 99% of the quarterly auto sales in the United States in our sample period. In our study period, Isuzu and Suzuki never engaged in lobbying, and Mitsubishi did so only once, so we exclude these firms. Thus, our sample includes the recall and lobbying behavior of 17 auto manufacturers, producing 3747 manufacturer-recall observations as our unit of analysis and excluding those observations with missing values. We examine firms' decision to strategically eschew lobbying.

4.1 | Dependent variable (DV)

Recall-related lobbying: Following prior research (Hillman et al., 2004; LaPira & Thomas, 2014), we measure lobbying in terms of whether lobbying for *recall* and/or recall-related *safety* issues was documented in the quarterly lobbying report on behalf of the manufacturer. We manually reviewed each lobbying report to obtain our measure. Such lobbying is reported under labels and keywords such as "vehicle safety," "consumer product safety," "discussions with the NHTSA regarding automotive safety recall," "education and communication related to vehicle recall," "safety recalls/voluntary agreements," "automotive safety issues," and so forth.[3] We also include lobbying reports that mention whether the firm lobbied the NHTSA, the governing agency for recalls.

[3]The LDA of 1995 and its subsequent amendments require firms that lobby and their hired lobbying firms to report the specific lobbying issues for which they lobbied on a quarterly basis (U.S. House of Representatives, 2017). The US Senate defines lobbying contacts as all communications with officials involving: (1) the formulation, modification, or adoption of federal legislation; (2) the administration or execution of a federal program or policy; and (3) the nomination or confirmation of a person for a position subject to confirmation by the Senate. Lobbying that falls under these categories must be reported on a quarterly basis under the LDA, which was enacted to strengthen public oversight of lobbying. As such, lobbying to influence recall-related legislation and its execution in the firm's favor must be reported. Lobbying reports are publicly accessible; several organizations such as OpenSecrets, ProPublica, LobbyView (Kim, 2018), and others have created databases to help journalists, researchers, and citizens sift through the reports for meaningful data and stories (Merrill, 2017).

We considered capturing a more detailed measure of the specific types of recall activities in the lobbying reports but found that firms and their lobbyists often provide the minimum information required regarding recalls in their reports. For example, Ford simply acknowledged the "recall of automobile, legislation" in its 2014 Q3 and Q4 reports under specific lobbying issues. Several of GM's recent reports listed "vehicle safety issues, including the Takata air bag recall and V2X." Lobbying firms on behalf of Toyota in 2010 reported the following: "preparation for Committee hearings on recall issues with the House Energy and Commerce Committee" and "issues related to the vehicle recall." However, the focus of our paper is how firms address concerns that their lobbying may attract negative attention from stakeholders such as the media. Therefore, words that may cue such attention are the most relevant such as lobbying reports mentioning recalls and recall-related safety, along with the NHTSA as the target agency, regardless of the specific individual lobbying content. Also, we found that lobbying related to safety recalls is reported under the issue code "Consumer Issues/Safety/Protection" (CSP) but sometimes also under "Automotive Industry" (AUT),[4] with both issue codes encompassing many other matters other than just recalls; as such, issue codes alone would not sufficiently describe the type of cues we are studying. Thus, we measure lobbying in terms of whether lobbying for *recall* and recall-related *safety* issues was reported, as well as the target agency—NHTSA, in the quarterly lobbying reports on behalf of the manufacturer.

4.2 | Independent variables

4.2.1 | Negative publicity of recalls

We follow past research to measure the media coverage of a firm's product recalls (i.e., Bednar et al., 2013; Gamache & McNamara, 2019; Gomulya & Boeker, 2014). We use Factiva to collect the data in three steps. First, for each auto manufacturer in our sample, we identify the company name that Factiva uses. For example, Factiva tags news articles on Toyota with three names: Toyota Motor Corp., Toyota Motor North America Inc., and Toyota Motor Sales, U.S.A., Inc. Second, for each manufacturer, we search for all unique news articles published in the United States, which Factiva classifies under the category of "Product Recalls." Factiva's "intelligent indexing" classifies articles into categories based on the article's content (Bednar, 2012). Third, we download the text of each resulting article and run it through the LIWC program to score each article on sentiment (Harmon, 2019) based on the percentage of negative words in the article. To ensure that our measure captures negative sentiment regarding product recalls for a focal company, we manually examined a random sample of articles with high negative sentiment scores (examples of those articles are provided in the online Appendix 1) and checked whether the negative emotion indicator words were directed at the company (Bednar et al., 2013) or the group of companies of which it is a part (industry associations, alliances, or the "Big Three"). We also compared those articles with ones that were not regarded as having negative sentiment. In doing so, we confirmed that the LIWC analysis generally reflected the negative sentiment about the focal company.

[4]See the Lobbying Issue Codes. Examples of specific descriptions of lobbying include: "issues related to safety, automobile defects and recalls, automobile safety regulatory issues, the Motor Vehicle Safety Act of 2010-RECALL Act (S.617), automobile defects, recalls and compliance (S.330 Consumer Recall Protection Act), and Motor Vehicle Safety (S.1449)." https://lda.congress.gov/ld/help/default.htm?turl=Documents%2FappCodes.htm.

To calculate the negative media publicity of recalls, we expand on Dyck et al.' (2008) use of a 2-month period after corporate misconduct and use articles within a month after each recall, due to the frequency of product recalls. We then devise a new measure that reflects both the negativity as well as the magnitude of coverage: the count of negative articles on recalls for each manufacturer. Following Bae and Lee (2012), we first compute the sentiment score for each article, that is, the positive–negative ratio of each article, as the percentage of positive words divided by that of negative words. We classify an article as positive if the positive–negative ratio is larger than 1; otherwise, we classify it as negative. We then aggregate the number for each period—a month after each recall. To account for skewness, we use the natural log of the value (Han et al., 2023; Shaw et al., 2013).

Negative publicity of recall-related lobbying is similarly measured by the logged number of negative articles in each period (i.e., a month after each recall) that discuss lobbying and recalls simultaneously, obtained from Factiva. We consider all negative articles which mention lobbying along with recalls. We build on the notion of *lobbying visibility* (Vadakkepatt et al., 2022), which reflects the degree of awareness regarding lobbying and is measured by the news coverage on firm lobbying. Like the previous measure, we downloaded all unique news articles from Factiva that were published for our sample firms during the sample period, with the keywords "lobby," "lobbying," "lobbies," or "lobbied" and identified ones that discuss firms' recalls as well as their lobbying. We then ran a linguistic inquiry and word count analysis using the LIWC program to score the text of each article on negative sentiment and came up with an aggregate measure that reflects the amount of negative media coverage of recall-related lobbying, also logged to account for skewness (Han et al., 2023; Shaw et al., 2013). Our analyses involve 123,325 articles on recalls and 4511 articles on all lobbying in total (out of which 306 are on *recall-related lobbying*).

4.3 | Control variables

We control for potential predictors of the manufacturer's lobbying, such as *Manufacturer Age* (Weymouth, 2012) and size, measured by firm's *Fixed assets* (Barber et al., 2014), *Return on Assets*, *Market-to-book ratio*, and *Sales revenue* (Hill et al., 2013) from Compustat. Due to skewness, *Manufacturer age* and *Fixed assets* are natural log transformed. We also include the manufacturer's *R&D intensity*, measured as the ratio of R&D expenditures to net sales (Hill et al., 2013). We also control for manufacturer's *Advertising intensity* (Bombardini & Trebbi, 2020).[5] We include the logged cumulative *Number of recalls* a firm has faced in the past 3 years, as well as the *Total recall volume*, the logged number of vehicles recalled in the recall campaign(s) to account for the magnitude of the recalls that occurred in that given quarter, as it would affect the lobbying decision.

We also include whether the recall involved replacements or repairs (Davidson III & Worrell, 1992), taking the value of 1 if it involved replacement and 0 if it involved repairs, using information from the "corrective summary" field in the NHTSA recall data. As replacement recalls are nominally more negative than repair/check recalls, we view that this would affect the lobbying decision. *Manufacturer communications* reflects the logged number of all communications reported to the NHTSA through its portal or email in each quarter. Because the

[5]We use the global foreign exchange rate for the variables reported in foreign currencies. Historical exchange rates are obtained from http://www.usforex.com/forex-tools/historical-rate-tools/yearly-average-rates.

NHTSA mandates that all manufacturers submit all information regarding recalls and communications to consumers through its portal or email, we consider these as indicative of contact with the agency for informational purposes.

We consider *Problem severity* as another control: following Eilert et al. (2017), we use the score computed from the factor analysis of the number of (1) consumer complaints, (2) crashes/fires, (3) injuries, and (4) fatalities, with higher scores indicating more severe problems. Problem severity leads observers to attribute more blame to the firm (Laufer et al., 2005). We also control for *Positive publicity of recalls* and *Positive publicity of recall-related lobbying*, using the same method of calculating them as described in the negative publicity measures, but for positive publicity (examples of those articles are provided in the online Appendix 2). We control for *Lobbying expenditure*, which is the amount spent on AUT and CSP issues, which may affect the decision to engage in recall-related lobbying in the next quarter. This measure was retrieved from LobbyView (Kim, 2018) and scaled by assets (Adelino & Dinc, 2014).

We include *Product reliability* using the reliability score of the focal manufacturer's automobiles on a scale from 0 to 100, as this may affect the recall-related lobbying decision as well. We use *Consumer Reports' Annual Buying Guides*, which report the results of their Annual Car Reliability Surveys (Rhee & Haunschild, 2006; Washington & Zajac, 2005). This score accounts for an automobile's performance on road tests, results from reliability and owner satisfaction surveys, and the availability of a frontal crash-prevention system. We finally include indicator variables for each manufacturer (manufacturer fixed-effects) and each calendar year-quarter, controlling for unobserved temporal predictors of lobbying. We lag all regressors by one period (i.e., one quarter) to mitigate the potential for reverse causality.

4.4 | Model specification and estimation

We structure our data at the manufacturer-recall level. Our *Negative publicity* variables could be endogenous, as firms may try to influence the media due to concerns about how they appear in the media (Beattie et al., 2021); thus, we use the instrument variable (IV) approach to address the endogeneity of the news volume. We use the negative publicity of the *recalls* and *recall-related lobbying*, respectively, of peer firms from the same region as an instrument (Astvansh et al., 2022; Haeussler et al., 2019). Negative media can create negative spillover effects (or a “perverse halo”) for peer firms (Borah & Tellis, 2016; Chatterji & Toffel, 2010; Desai, 2011a, 2011b), as “a firm's error can harm other firms in its industry” due to “shared pooled risk” (Barnett & King, 2008, p. 1150). We identify a *peer* as other manufacturers from the same geographic region (i.e., North America, Europe, and East Asia). Given that news coverage tends to cluster at the regional level (Kaustia & Knüpfer, 2012) and the product group level (Liu & Shankar, 2015), the negative publicity of peers correlates with that of the focal firm; however, it is not directly associated with the focal manufacturer's actions, thus satisfying the instrument criterion.

For the negative publicity of *recalls* in particular, we employ a similar additional instrument, using the social media-based metric from Twitter, which has been found to be less controllable and subject to manipulation by firms (Lee et al., 2015). We use the count of tweets mentioning each manufacturer's name and “*recalls*” as keywords, obtained through Twitter's API with the academic research developer access. We then aggregate the count at the peer firms' level for each manufacturer and log this number. Additionally, we include the traffic accident statistical data from the NHTSA as an additional instrument. We assume that the increased frequency of traffic accidents (logged) may heighten public and media attention toward vehicle safety, potentially leading to increased coverage of auto recalls; however, at the same time, this statistic is not directly related to auto manufacturers' lobbying. Given the binary nature of the dependent variable, along with our use of IVs, we employ the IV probit using the command *eprobit* in Stata (Haeussler et al., 2019). Alternatively, we also run models using *ivprobit* to run its post-estimation tool, the weak instrument test (Pflueger & Wang, 2015; Stock et al., 2002). We find that the value of the *F*-statistic is well above the critical value at the 10% level. Therefore, we reject the null hypothesis that our instruments are weak.

5 | RESULTS

Table 1 reports the summary statistics of all variables and pairwise Pearson correlation coefficients. Table 2 presents the results of regressions with the *Recall-related lobbying* DV. Model 1 only includes the control variables. Model 2 shows that a greater level of *Negative publicity of recalls* in the month after each recall is negatively related to *Lobbying* in the next quarter ($\beta = -.721$; $p = .001$). Thus, an increase in the predictor *Negative publicity of recalls* leads to a decrease in the predicted probability of *Lobbying*. Probit coefficients, unlike those in logit, do not have a straightforward interpretation; as a result, we use marginal effects to calculate the change in $\Pr(y)$ (Hoetker, 2007). Holding all other variables at their mean values, a one-unit increase in *Negative publicity of recalls* (logged) is associated with a decrease of 0.035 in the predicted probability of engaging in *Lobbying*. The baseline probability is 0.387, and so an increase of 1 in logged *Negative publicity of recalls* is associated to an expected probability of 0.357. An increase of 1 in logged *Negative publicity of recalls* corresponds to multiplying *Negative publicity of recalls* by $e = 2.71828$. Since before being log transformed the average *Negative publicity of recalls* in our sample is 18.699 articles, an increase in 1 in logged *Negative publicity of recalls* equivalent to an increase in 50.823 articles (18.699×2.718) decreases the probability of $y = 1$ by 3.5%. The standard error is 0.034, and the 95% confidence interval is $[-0.785, -0.645]$. Thus, we find evidence to support H1.

In Model 3, the effect of *Negative publicity of recall-related lobbying* on *Lobbying* is negative ($\beta = -1.979$; $p = .001$). We thus gain support for our H2, which states that the likelihood of engaging in *Lobbying* decreases with *Negative publicity of recall-related lobbying*. Assessing the marginal effect and holding all other variables at their mean values, a one-unit change in *Negative publicity of recall-related lobbying* (logged) decreases the mean predicted probability of engaging in *Lobbying* by 0.049. Before being log-transformed the average *Negative publicity of recall-related lobbying* in our sample is 0.033 articles, so an increase in 1 in logged *Negative publicity of recalls-related lobbying* equivalent to an increase in 0.089 articles (0.033×2.718) decreases the probability of $y = 1$ by 4.9%. The standard error is 0.043, and the 95% confidence interval is $[-2.069, -1.888]$.

We have also tested the robustness of our empirical findings with alternate measures and additional controls and presented the results and detailed explanations in the online Appendix 3.1. We test as additional controls: (1) the firm's number of revolving-door lobbyists, (2) whether the firm had recalls internationally, and (3) whether the given recall was a voluntary recall. We also try alternative measures of IVs taking into account the weighted volume of negative media articles on recalls and lobbying. Also, we address the concern that because our DV consists of quarterly lobbying while our IV measures media coverage within 1 month following a recall, there may be a possibility that the eschewal of lobbying is being overestimated. Details can be found in the online Appendix 3.2.

TABLE 1 Descriptive statistics and correlation coefficients.

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1. Recall-related lobbying	0.426	0.495	1.000											
2. Negative publicity of recalls[a]	1.819	1.357	−0.076	1.000										
3. Negative publicity of recall-related lobbying[a]	0.015	0.128	−0.082	0.030	1.000									
4. Manufacturer age[a]	4.279	0.696	−0.026	0.126	0.038	1.000								
5. Fixed assets[a]	9.866	2.811	−0.059	0.229	0.042	−0.246	1.000							
6. ROA	0.690	2.379	−0.019	−0.101	−0.027	0.068	−0.412	1.000						
7. Market-to-book ratio	10.132	25.336	0.333	0.052	−0.026	−0.039	0.118	−0.080	1.000					
8. Sales revenue[a]	9.749	2.433	−0.077	0.189	0.016	−0.199	0.494	−0.316	0.118	1.000				
9. R&D intensity[a]	7.066	2.173	−0.020	0.306	−0.030	−0.103	0.720	−0.371	0.049	0.560	1.000			
10. Advertising intensity[a]	2.328	2.476	−0.109	0.344	−0.003	0.315	0.249	−0.168	0.288	0.241	0.322	1.000		
11. Number of recalls[a]	1.693	0.962	0.149	0.149	0.332	−0.296	0.527	−0.372	0.299	0.387	0.524	0.273	1.000	
12. Total recall volume[a]	12.029	2.363	0.003	0.472	0.045	0.148	0.161	−0.029	0.225	0.370	0.279	0.371	0.445	1.000
13. Replacement recall	0.880	0.324	−0.013	−0.017	−0.010	−0.140	0.069	−0.044	0.007	−0.007	0.038	−0.061	−0.037	−0.016
14.Manufacturer communication[a]	3.664	2.918	0.088	0.110	0.061	0.352	0.048	−0.035	0.008	0.489	0.079	−0.008	−0.043	0.117
15. Problem severity	0.000	1.978	−0.021	0.546	0.012	0.230	0.265	−0.147	0.214	0.338	0.311	0.489	0.398	0.469
16. Positive publicity of recalls[a]	1.872	1.276	−0.024	0.821	0.018	0.197	0.087	−0.036	0.091	0.162	0.205	0.339	0.236	0.468
17. Positive publicity of recall-related lobbying[a]	0.049	0.187	−0.039	0.303	0.212	0.043	0.119	−0.019	0.048	0.061	0.127	0.151	0.116	0.179
18. Product reliability	68.932	10.155	−0.006	0.037	−0.005	−0.294	0.148	−0.153	0.036	0.104	0.066	−0.214	0.146	−0.080
19. Lobbying expenditure[a]	0.237	0.405	−0.295	0.191	0.170	0.140	0.335	−0.130	−0.211	0.181	0.254	0.151	0.062	0.098
20. Peers' negative publicity of recalls[a]	4.149	1.758	0.011	0.555	−0.012	0.205	−0.122	0.115	0.089	−0.003	−0.030	0.151	0.035	0.351
21. Tweets of peer's recalls[a]	13.165	1.642	−0.123	0.366	0.083	0.281	0.119	0.011	0.020	0.091	0.140	0.492	−0422	0.439

TABLE 1 (Continued)

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
22. Traffic accident data[a]	1.087	0.109	0.002	−0.208	−0.027	0.167	−0.555	0.371	−0.137	−0.216	−0.441	−0.188	0.097	−0.161
23. Peers' negative publicity of recall-related lobbying[a]	3.830	1.514	−0.088	0.322	0.054	0.053	0.114	0.045	−0.110	0.079	0.091	0.258	0.110	0.330

Variable	13	14	15	16	17	18	19	20	21	22	23
13. Replacement recall	1.000										
14.Manufacturer communication[a]	−0.039	1.000									
15. Problem severity	0.008	0.022	1.000								
16. Positive publicity of recalls[a]	−0.036	0.097	0.503	1.000							
17. Positive publicity of recall-related lobbying[a]	−0.033	−0.070	0.370	0.285	1.000						
18. Product reliability	0.057	0.118	−0.103	0.023	−0.029	1.000					
19. Lobbying expenditure[a]	−0.009	0.232	0.175	0.110	0.067	−0.081	1.000				
20. Peers' negative publicity of recalls[a]	0.059	0.072	0.335	0.622	0.176	0.024	0.046	1.000			
21. Tweets of peer's recalls[a]	0.021	0.115	0.366	0.394	−0.093	−0.179	0.237	0.244	1.000		
22. Traffic accident data[a]	0.028	−0.089	−0.262	−0.066	0.161	−0.090	−0.181	0.094	−0.048	1.000	
23. Peers' negative publicity of recall-related lobbying[a]	0.010	0.030	0.159	0.333	0.096	−0.025	0.181	0.191	−0.032	0.084	1.000

[a]Variable is log-transformed.

TABLE 2 Results of instrumented and non-instrumented probit estimations.

Variables	DV: Recall-related lobbying						
	Model 1 Eprobit	Model 2 Eprobit	Model 3 Eprobit	Model 5 Ivprobit	Model 6 Ivprobit	Model 8 Probit	Model 9 Probit
	b/se/p	*b/se/p*	*b/se/p*	*b/se/p*	*b/se/p*	*b/se/p*	*b/se/p*
Manufacturer dummies	Included	Included	Included	Included	Included	Included	Included
Year-quarter dummies	Included	Included	Included	Included	Included	Included	Included
Manufacturer age[a]	2.887	1.236	0.496	0.861	0.193	1.750	1.677
	(0.235)	(0.253)	(0.430)	(0.147)	(0.469)	(0.144)	(0.145)
	(.001)	(.001)	(.249)	(.001)	(.681)	(.001)	(.001)
Fixed assets[a]	0.110	0.058	0.019	0.042	−0.003	0.002	0.003
	(0.023)	(0.013)	(0.017)	(0.012)	(0.011)	(0.016)	(0.016)
	(.001)	(.001)	(.260)	(.001)	(.815)	(.880)	(.862)
ROA	2.961	1.142	0.523	−0.036	0.001	−0.059	−0.053
	(0.531)	(0.344)	(0.457)	(0.010)	(0.018)	(0.012)	(0.013)
	(.001)	(.001)	(.252)	(.001)	(.972)	(.001)	(.001)
Market-to-book ratio	0.015	0.008	0.003	0.005	−0.003	0.014	0.014
	(0.003)	(0.002)	(0.002)	(0.002)	(0.004)	(0.002)	(0.003)
	(.001)	(.001)	(.229)	(.005)	(.528)	(.001)	(.001)
Sales revenue[a]	−0.016	−0.001	−0.001	−0.020	0.004	0.006	0.008
	(0.022)	(0.010)	(0.004)	(0.010)	(0.010)	(0.014)	(0.014)
	(.481)	(.933)	(.741)	(.048)	(.715)	(.683)	(.537)
R&D intensity[a]	0.077	0.033	0.014	0.096	0.055	0.175	0.169
	(0.029)	(0.015)	(0.013)	(0.019)	(0.047)	(0.024)	(0.024)
	(.009)	(.025)	(.274)	(.001)	(.244)	(.001)	(.001)
Advertising intensity[a]	−0.028	−0.018	−0.006	−0.035	−0.031	−0.096	−0.105
	(0.025)	(0.012)	(0.006)	(0.015)	(0.029)	(0.022)	(0.023)
	(.255)	(.131)	(.343)	(.021)	(.277)	(.001)	(.001)
Number of recalls[a]	0.442	0.168	0.076	0.224	−0.004	0.359	0.345
	(0.088)	(0.053)	(0.067)	(0.038)	(0.100)	(0.044)	(0.044)
	(.001)	(.002)	(.260)	(.001)	(.970)	(.001)	(.001)
Total recall volume[a]	−0.039	−0.017	−0.007	0.003	−0.038	−0.120	−0.124
	(0.017)	(0.008)	(0.007)	(0.015)	(0.034)	(0.016)	(0.016)
	(.017)	(.029)	(.278)	(.838)	(.256)	(.001)	(.001)
Replacement recall	0.155	0.065	0.026	0.028	−0.063	0.130	0.131
	(0.087)	(0.041)	(0.027)	(0.057)	(0.065)	(0.077)	(0.077)
	(.077)	(.113)	(.331)	(.626)	(.336)	(.093)	(.090)
Manufacturer communications[a]	0.027	0.012	0.004	0.051	0.004	0.006	0.002
	(0.017)	(0.008)	(0.005)	(0.010)	(0.009)	(0.014)	(0.014)
	(.117)	(.145)	(.367)	(.001)	(.696)	(.687)	(.905)

TABLE 2 (Continued)

Variables	DV: Recall-related lobbying						
	Model 1 Eprobit	Model 2 Eprobit	Model 3 Eprobit	Model 5 Ivprobit	Model 6 Ivprobit	Model 8 Probit	Model 9 Probit
	b/se/p	b/se/p	b/se/p	b/se/p	b/se/p	b/se/p	b/se/p
Problem severity	0.225	0.100	0.042	0.172	0.192	0.145	0.130
	(0.022)	(0.020)	(0.035)	(0.016)	(0.031)	(0.019)	(0.020)
	(.001)	(.001)	(.241)	(.001)	(.001)	(.001)	(.001)
Positive publicity of recalls[a]	−0.072	−0.017	−0.012	0.999	0.071	0.074	−0.007
	(0.032)	(0.021)	(0.012)	(0.033)	(0.020)	(0.038)	(0.028)
	(.027)	(.420)	(.307)	(.001)	(.001)	(.054)	(.811)
Positive publicity of recall-related lobbying[a]	0.059	0.043	0.009	0.347	0.655	0.250	0.252
	(0.193)	(0.087)	(0.036)	(0.110)	(0.106)	(0.168)	(0.167)
	(.760)	(.622)	(.799)	(.002)	(.001)	(.136)	(.131)
Product reliability	−0.021	−0.011	−0.004	−0.009	−0.004	−0.023	−0.024
	(0.004)	(0.002)	(0.003)	(0.003)	(0.006)	(0.003)	(0.003)
	(.001)	(.001)	(.230)	(.001)	(.523)	(.001)	(.001)
Lobbying expenditure[a]	−0.438	−0.217	−0.080	0.082	−0.036	−0.700	−0.732
	(0.091)	(0.053)	(0.068)	(0.081)	(0.202)	(0.080)	(0.079)
	(.001)	(.001)	(.238)	(.311)	(.857)	(.001)	(.001)
Negative publicity of recalls[a] (H1)		−0.721		−1.382		−0.116	
		(0.034)		(0.036)		(0.037)	
		(.001)		(.001)		(.002)	
Negative publicity of recall-related lobbying[a] (H2)			−1.979		−2.194		−0.203
			(0.046)		(0.107)		(0.107)
			(.001)		(.001)		(.056)
Constant	−13.342	−4.504	−6.663	−4.201	−5.454	−6.681	−5.375
	(1.258)	(1.258)	(1.903)	(0.700)	(1.606)	(0.828)	(0.996)
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
Wald exogeneity test				81.570	2.400		
Wald chi-square/LR chi-square	1009.93	3680.58	5744.93	4875.93	6686.10	1914.72	1908.58
Observations	3747	3747	3747	3747	3747	3747	3747

Note: Standard errors and *p*-values are in parentheses.
[a]Variable is log-transformed.

6 | SUPPLEMENTAL QUALITATIVE EVIDENCE

Our findings provide general support for our hypotheses. However, the question remains as to the extent to which firms and lobbyists knowingly and strategically eschew lobbying and turn to concealed forms of CPA in response to the negative media publicity of crises, such as product recalls. To address these issues and more fully understand why firms may eschew lobbying, following Burchard et al. (2021), Krause et al. (2019), and Welbourne Eleazar and Park (2022), we conducted semi-structured, open-ended post-hoc information-gathering interviews of 15 state and federal lobbyists and heads of external affairs that oversee lobbying activities to explore our hypotheses and findings more fully. The lobbying context makes a full qualitative study difficult, particularly in the automotive industry, given the sensitive nature of our study. However, since we posit that the general idea of the strategic eschewal of lobbying (in exchange for concealed CPA in the face of negative media publicity) could apply more broadly, discussing these issues with lobbyists in a variety of industries allows us to determine the generalizability of our theorizing. The details of the sample selection, description of the lobbyists interviewed, and the semi-structured questions used in the interviews are provided in the online Appendix 4. Exemplar quotes are provided below, with the remainder of the interviews consistent with the quotes.

6.1 | Lobbying and public perception

We spoke with three individuals who had some knowledge of the automobile industry, either through trade associations or other public and private industry experience. Two of these individuals worked at the state level; we noted that their experience primarily dealt with regulations relevant to the specific associations that they worked with instead of product safety. However, they generally noted that the media coverage of specific bills would impact firms' lobbying decisions. One interviewee worked at the federal level and was able to go deeper into the specifics of our research context. In discussing our difficulty in getting anyone involved in lobbying from automobile manufacturers to speak with us, he said that it would be virtually impossible due to the stringent nondisclosure agreements in place. Even though he had never worked directly for the manufacturers himself, he insisted that we only vaguely refer to him as having "worked with the automobile industry in the public and private sectors throughout his career" due to the sensitive nature of this study.

In discussing the automobile manufacturers' relation to lobbying, the interviewee noted that "some of these companies are becoming increasingly sensitive to public perception of their government relations activities." He referred to a recent story in the news about the CEO of Stellantis, saying, "We're not going to lobby anymore. We're just going to educate" (Interview 14). He expected the lobbying disclosures to still look the same but indicated that "there's clearly this perception that lobbying is dirty, and if they can avoid being associated with it, they prefer to be." He stated the following:

> You're doing all kinds of different things that aren't lobbying but are a bigger program of trying to influence public policy … that is probably partially driven by the perception of 'can we get as much out of our budget as possible?' And … there's also a degree to which people recognize that there's more to an effective program than going up to the Hill and doing lobbying (Interview 14).

He sees the above sentiment as a long-running trend and was not sure whether it would be measurable in response to something such as product recalls. He noted that "there are lots of ways to do things that affect platform policy that don't show up on an Lobbying Disclosure Act (LDA) disclosure." Specifically, he commented that when a crisis in the form of a product recall strikes, automobile companies will go to their crisis communications team and potentially hire consultants to help. They would also likely increase their political activities overall in the short run since it would be "all hands on deck," although he acknowledged that the composition of the political activities might change. As to the effect of negative media attention on product recalls related to lobbying, he noted the following:

> I think yeah, if there were enough bad press specifically focused on the notion that a company ended up killing a bunch of people because they were lobbying for looser product safety regulations and the media was focused on the lobbying piece of that, would you start to hide behind your trade associations? Sure, but I mean they do that on all kinds of stuff (Interview 14).

He views disclosures as a form of competitive research but does not worry how his disclosures are perceived by the media because he is a "small fish," compared to other lobbyists. He also stated the following:

> As a registered lobbyist, you know that at any time a journalist can pull your LDA filings and take your political contributions reporting and put it next to your lobbying disclosures and call you a dirty crook wanting influence … You just sort of live with the fact … and it doesn't bother me (Interview 14).

At the same time, he stated, "I'm quite sure that there is somebody in legal or public relations, or both, that thinks about those things."

6.2 | Lobbyists' media awareness and response

Due to the difficulty in obtaining interviews of lobbyists in the automobile industry, we interviewed lobbyists in other industries as well. The lobbyists were all cognizant of media coverage of the issues on which they lobbied. While state lobbyists are often not required to disclose specific issues such as product safety issues, they must often disclose broadly how they are lobbying on specific bills. As a result, both the state- and federal-level lobbyists with whom we spoke were aware of how their disclosures may be associated with media coverage of the issues or bills on which they were lobbying.

At the federal level, when asked about issues that get media attention a head of external affairs commented, "I know from my experience with anything that may be touchy, and a hot rod, especially when it's something that doesn't fall along partisan lines, you keep wondering, how is this going to fall?" (Interview 8). As a result, she stated, "I think companies do sort of step back and decide, we're going to let this ride out" in such situations (Interview 8). She also noted that sometimes dealing with these "hot rod" issues in the media means that people address them more generally and do not bring up specific examples when discussing broader issues with legislators. One head of external affairs focused on the influence of the media's narrative, stating, "The media certainly is a consideration when you're putting together your agenda and your messaging about how you're going to talk about things. If you think, 'Oh, the media's kind of with us on this narrative,' you might then put a little more effort into it" (Interview 5).

At the state level, lobbyists similarly noted the importance of the media in terms of how lobbying is perceived. One commented, "If one entity is getting bad press or bad attention for something they did, they're going to retract a little and be a little more quiet and definitely work more behind the scenes instead of having their name out front and center. Absolutely, they're going to be lobbying more quietly" (Interview 15). Another state lobbyist described the process as assessing the "temperature" of the media coverage in deciding how to proceed. She noted that if there is media attention on the issue, and it becomes "hot," "you will see a different narrative coming at it, so they can say, 'Oh, we don't have any position on that legislation, we're just monitoring it' … when in reality, they're back channeling it and trying to kill it" (Interview 1). She noted that "everybody has a price" in terms of how hot they will let things get before changing their approach, noting, "They may not be willing to get into that skillet, for let's say $100,000. But if you're paying them, you know a couple million dollars, they're going stay in that skillet. But they're going to try to reduce the temperature of that skillet." She further stated, "You can tell when things are starting to get hot" in the media, and that multi-client lobbyists have their "marching orders" of what to look out for and will report to the company that it may need to change its tactics (Interview 1). In addition, a multi-client state lobbyist said, "There's no doubt that if negative publicity hits your client, [it] does impact how you make a decision because it could be brought up … Bad news reports influence how you make a decision. Certainly" (Interview 10). These interviews provided further qualitative support for our theorizing and empirical findings.

7 | DISCUSSION

Our results demonstrate that, while firms may typically engage in lobbying for the benefits it provides, they are likely to strategically eschew such lobbying when there are external reputational cues of negative media publicity involving recalls and recall-related lobbying. It is interesting that positive media coverage of recalls and recall-related lobbying hardly affects lobbying, which shows that it is not only the media that ails from negativity bias but also firms. Specifically, we theorize and find that when there are cues suggesting that recall-related lobbying would be problematic for the media and may potentially result in further negative publicity and harm to the firm, firms are less likely to lobby. Our supplemental interviews further support our theorizing and findings, providing greater depth to how firms consider the media in making their lobbying decisions, particularly on controversial issues such as recall-related lobbying.

7.1 | Contributions to theory

We contribute to the literature on nonmarket strategy. We theorize and test how firms consider media cues in their decision of whether to engage in lobbying. We develop the concept of *strategic eschewal* to explain why firms decide to deliberately refrain from taking actions that could benefit them financially. In doing so, we answer to the call to study under what circumstances firms disengage from CPA and highlight factors that explain CPA hesitancy (Katic & Hillman, 2023). We highlight the specific triggers that lead firms to realize the need to engage in eschewal to avoid potential harm resulting from negative publicity of their lobbying. Broadly, the concept of strategic eschewal applies to any otherwise financially beneficial action that firms deliberately refrain from undertaking to avoid potential negative ramifications, such as reputational harm. We find support for this concept in the novel context of product safety recall lobbying, finding that firms strategically eschew product recall related lobbying when external cues indicate that such lobbying may result in greater harm than good, as it would be chastised by some stakeholders.

The possibility that firms may avoid lobbying due to external pressures has been hinted at previously in a few studies which have suggested that certain events might make nonmarket strategies less attractive for firms (Bonardi et al., 2005; Oliver & Holzinger, 2008). By empirically demonstrating the factors that affect firms' strategic eschewal of lobbying, we begin to address the call to study whether or how firms adjust their nonmarket strategies when faced with external disruptions (McDonnell & Werner, 2016). Specifically, lobbying may be beneficial in the face of product recalls when no other factors are considered. However, when there are external cues with respect to negative media perceptions, firms must be mindful of the potential reputational harm in which the costs outweigh the benefits, and they must stay attuned to external cues.

We also contribute to the lobbying literature specifically by highlighting both the threats of product recalls and the reputational harm from hypocritical lobbying. We balance the positive and negative sides of the lobbying decision in ways that have not previously been done. Traditional views of lobbying mainly consider lobbying to avoid the potential financial costs of product recalls. For example, Rayfield and Unsal (2018) found that lobbying can influence the rates and types of recalls by leading to relaxed safety standards; specifically, potential recalls may not be deemed necessary, or products may be approved without sufficient testing, ultimately making more recalls necessary. This study goes beyond a one-sided view by considering the contrasting costs resulting from the lobbying itself and its potential reputational harm (Sutton, 1984; Tovar, 2011).

We expose the potential reputational harm if firms are perceived as being hypocritical in lobbying for lenient product safety policies instead of living up to their obligations. This extends recent literature that has identified the potential "dark side" of lobbying in the form of negative effects on customer satisfaction (Vadakkepatt et al., 2022). We theorize how external reputational cues—provided by the negative media publicity of recalls and negative publicity of lobbying—impact firms' lobbying decisions. In doing so, we provide a more comprehensive view of lobbying that considers both its potential upsides and downsides as well as its signals. We also contribute to the literature on lobbying by providing first-hand accounts of interviewed lobbyists in terms of how they and the firms they work for take the media into consideration in their lobbying decisions.

7.2 | Contributions to practice

We demonstrate that firms' lobbying decisions entail the risks of having to face a recall crisis if their lobbying is insufficient, and reputational threat if their lobbying is seen as hypocritical. Even if lobbying helps firms deal with current recalls and avoid future ones, the reputational harm may still be costly if it results in criticism and a subsequent loss of consumer confidence. Thus, firms must realize lobbying's potential harm in addition to its more obvious potential benefits. It is vitally important that firms pay attention to reputational cues from the media, which can help them determine when lobbying may cause harm to their reputation.

Firms can also consider how they can "make up" for strategically eschewing lobbying through other less visible forms of CPA. However, while we focus on lobbying, other forms of nonmarket strategies can also result in backlash, such as the recent example of Toyota's donations to certain politicians related to election challenges (Hsu, 2021; Morris, 2021). Similarly, a firm's overinvestment in corporate social responsibility (CSR) can result in a "boomerang effect" when product recalls occur (Liu et al., 2020). Firms should consider whether their nonmarket responses to threats come with a downside in deciding how to respond. In doing so, they should also examine all the possible forms of CPA available and choose those types of CPA that provide the greatest benefit at the smallest cost in any given situation.

7.3 | Limitations and avenues for future research

The key limitation in our research concerns the difficulty in verifying firms' perceptions of the potential hypocrisy of strategic actions and the mechanisms behind firms' preemptive decision not to take those actions (similar to the limitations related to strategic silence and *brown washing*; Carlos & Lewis, 2018; Kim & Lyon, 2015). This is particularly true with respect to lobbying related to product recalls, which is often sensitive, confidential, and can occur covertly (Downing, 2017). While we obtained insights from practitioners on this phenomenon through our 15 interviews of lobbyists and heads of external affairs, there are still some open-ended questions that future research may consider.

First, there may be alternative explanations for our findings: firms may simply withhold lobbying during times of heightened public scrutiny, as politicians may be less receptive to lobbying. The open and visible connections between firms and policymakers through lobbying may cause harm to the latter since "those opposed to the firm's CPA can withdraw critical resources from the policymaker as punishment" (Jia et al., 2021, p. 11). In our interviews, we found that firms' concern about being associated with negative media attention was indeed the main driving mechanism against lobbying. Thus, while in some rare instances the eschewal of lobbying may be due to some politicians being less receptive, we expect that the primary mechanism involves reputational cues from the media.

Second, we acknowledge that there may be forms of concealed CPA which we do not capture, including individual instances of unethical lobbying where lobbyists do not comply with the LDA. While we are not able to tease out cases of exemption versus noncompliance, the lobbyists and heads of external affairs whom we interviewed were all very aware of the fact that there are severe consequences for failing to disclose according to the LDA. Thus, we do not believe that noncompliance is occurring at such a broad scope to have much influence on our findings. It is possible that in the future, researchers may find other ways to assess lobbying compliance, particularly if the ethics rules change or are enforced more broadly and publicly.

This article provides other interesting avenues for future research. We focused our theorizing on lobbying, an overt form of CPA, but firms may also engage in concealed CPA when they choose to strategically eschew lobbying to avoid appearing hypocritical. Future research may consider how firms decide whether to engage in disclosed lobbying versus concealed CPA in areas such as product safety as well as others, along with triggers other than negative media publicity. Firms may choose to use different and novel types of nonmarket strategies to avoid perceptions of hypocrisy instead of strategically eschewing it altogether. These nonmarket strategies may incorporate the use of key stakeholders. For example, Toyota took a novel approach to lobbying by sending its assembly plant workers to Capitol Hill, bearing the message that Toyota (a Japanese company) employs about 33,000 Americans, and the ones being impacted by the recalls are Americans (Ransom, 2010).

While we focus on how external cues affect firm lobbying decisions, future research may consider internal factors such as the firm's financial and strategic positioning, and the individual priorities of firms' management and managerial experiences with reputational issues and lobbying. Firms may learn from these experiences and may be more or less likely to perceive potential hypocrisy. Future research may also consider other potential external cues prompting strategic eschewal, such as those from activist shareholders, sales, or industry trends. Further, future research may draw on stakeholder theory to consider how different stakeholders can influence firms' decision of whether to strategically eschew lobbying. It may be that firms are more responsive to certain types of stakeholders and their concerns, depending on the salience of the individual stakeholders to the firm.

Further, considering how CSR relates to the strategic eschewal of lobbying provides additional opportunities for research, given that firms may choose to engage in additional product safety-related CSR to avoid negative media publicity (Noack et al., 2019). However, doing so may set them up for greater perceived hypocrisy if they lobby on product safety issues while also engaging in CSR activities related to product safety. This is similar to the "boomerang effect" of CSR following product recalls that Liu et al. (2020) found. Thus, it would be interesting to study how firms adjust their CSR strategies in conjunction with their CPA portfolio following product recalls. Nevertheless, we expect that, given the potential increased concern about hypocrisy and additional scrutiny, the strategic eschewal of lobbying will likely continue, perhaps in addition to changed CSR allocations.

Finally, while we focus on the strategic eschewal of lobbying in the context of potential threats, such as product recalls, strategic eschewal is not confined to lobbying. There could be other actions that are avoided to dodge the appearance of hypocrisy and reputational harm, which would fall within the confines of strategic eschewal. Some of these actions may include other forms of nonmarket strategies, human resource policies within a firm, the cultivation of certain forms of investment, joining certain industry groups, or other strategies and actions. Future research can expand on strategic eschewal in other areas and the boundary conditions of when strategic eschewal is used.

8 | CONCLUSION

Lobbying can allow firms to minimize product recalls and their associated costs. At the same time, customers, through the media, may view such lobbying as hypocritical, which could result in reputational harm for the firm that lobbies. Firms must find a way to address these divergent concerns in deciding whether to lobby following negative publicity of product recalls and recall-related lobbying. We theorize and find that firms respond to external cues of negative media publicity involving recalls and recall-related lobbying by strategically eschewing lobbying. We develop the novel concept of strategic eschewal and how the media trigger its use. We also explore strategic eschewal through supplemental qualitative lobbyist interviews that provide insight into how firms make lobbying decisions in response to media coverage. In doing so, we contribute to the nonmarket strategy literature.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from (third party). Restrictions apply to the availability of these data, which were used under license for this study. Data are available (from the authors / at URL) with the permission of (third party).

ORCID

Miranda J. Welbourne Eleazar https://orcid.org/0000-0001-7993-9309

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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