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# Media Influence and Firms Behaviour: A Stakeholder Management Perspective

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**Abstract**

To better understand the media as a stakeholder we study the media influences and the types of actions used by firms to manage this stakeholder. A hegemonic approach to the subject argues that the media is part of an economic, political, social, and cultural struggle. Accordingly, different stakeholders and classes compete for dominance and attempt to impose their visions, interests, and agendas on society as a whole. Firms, along with other groups, struggle for social dominance by disseminating images through the media. By means of stakeholder management and organizational response literature we show that given the dependency on the media's accountability, answerability, and credibility, firms implement either strategic actions or fire-fighting actions. Evidence is brought from foreign firms in the traditional media business (print, radio, television) in the Netherlands, context characterized by freedom of the press, opinion, and information.

**Keywords:** stakeholder management, media influence, organizational responses

## 1. Introduction

In collecting and transferring information to the public, as means of mass communication, the media has become an influential actor within society and a pivotal stakeholder within the socially, culturally, politically enmeshed business context. Having a strong influence on information exchanges and asymmetries between business and society, the media has become a paramount stakeholder for firms because it provides a social signal to other stakeholders experiencing uncertainty caused by information asymmetry (Deephouse, 2000); it manipulates the issue saliency and pressures of various stakeholders through contingencies on agenda setting (Gamson, Croteau, and Hoynes, 1992); it influences the social construction of reality regarding firms' activities (Chen and Meindl, 1991); it portrays the public knowledge and opinions about firms (providing valuable input for firms about their external perception); and it influences public knowledge and opinions about firms (Gans, 1998; Brown and Deegan, 1998; Sinha, Inkson, and Barker, 2012). The media also provides a forum for debate on what constitutes socially acceptable economic behavior (Gamson *et al.*, 1992). By framing the overall perception of firms among various stakeholder groups and the extent to which the firms conform to the acceptable (regulatory, normative, cognitive) domains, the media shapes the firms' legitimacy and reputation. In addition, the media has been proven to be a venue for attaining competitive advantage (Deephouse, 2000) and even superior performance (Greenwood *et al.*, 2005).

The media's overall influence on the visibility and exposure of firms' actions (Capriotti, 2009; Sinha, Inkson, and Barker, 2012) make it a worthy and multifarious stakeholder (Neuman, Just, and Crigler, 1992). In addition, the democratization of the media and its grassroots impact amplify the possible implications (pressures or opportunities) for firms' business activities. The media strongly influences public opinion formation and knowledge creation and diffusion. Thus, it is influential in the business community (Kuhn, 2008). Therefore, considering this influential stakeholder and managing the media can be of paramount importance for firms' social and financial performance. The media "can affect the achievement of an organization's objectives" (Freeman, 1984: 46) and has the ability to influence the firm's behavior, direction, process, and outcomes (Starik, 1994; Savage *et al.*, 1991). However, the extent to which the firms consider media as an important influence is merely assumed, though unconfirmed. It remains unclear whether the media influences become captured by corporate interests and, thus, firms have a differentiated behavior in dealing with the media, differentiated by medium and by firm perception of media influence. Therefore, the aim of this study is to take a stakeholder management perspective and analyze firms' perceptions of media influences and organizational behavior towards the media. Through deploying a stakeholder management perspective, our intent is to better understand the media as a stakeholder by studying media influences and firm actions to manage this stakeholder.

Overall the stakeholder management perspective focuses on understanding the reasons for dependency and stakeholder pressures under which firms engage in stakeholder actions. The organizational response perspective provides an overview of actions which firms can implement to respond to media influences. One type of organizational response action through which firms can manage the complex influences of the media entails fire-fighting actions—short-term, easily reversible, and adaptive measures. However, stakeholder theory emphasizes the advantages and suitability of more strategic actions, which involve a specific commitment of resources, an intricate interest alignment, and a long-term plan (Oliver, 1991; Chen, 1996). These types of organizational response actions result from dependency effects of stakeholder (media) pressures, which are the most relevant predictors mentioned in literature (Deephouse, 2000). Furthermore, the magnitude of resource dependence determines an organization's response (Pfeffer and Salancik, 1978). Organizational behavior reflects the management of its dependence on the resources and capabilities and the controlling mechanisms of these resources and capabilities (Barney, 1991). Therefore, this study uses the stakeholder management and organizational response insights to explain firms' organizational responses to the influence of the media.

Empirical evidence was gathered from foreign firms in the traditional media (print, radio, television) business in the Netherlands, which is a suitable research context because of its freedom of the press, opinion, and information.

The structure of this exploratory study is as follows. The second section examines the influence of the media and the items included in its influence measurement. The third section reviews the plethora of organizational response actions that firms can use to manage the media. The fourth section presents our hypotheses regarding the stakeholder management of the media—media influence and the types of organizational response actions to these influences. The fifth section presents the sample, data sources, and operationalization of the variables we used to test the hypotheses. We present the empirical results in the sixth section and offer the findings, conclusions, contributions, and implications of our work in the seventh section.

## 2. Influence of the Media

The stakeholder management approach emphasizes that the importance of a stakeholder and its pressure on a company justifies the company engaging in stakeholder actions. Thus, firms are motivated to engage in actions as a result of media influences or pressures and their significance for the firms' business activities. One defining stakeholder attribute is influence, i.e. "the ability of a group to bring about the outcomes they desire" (Salancik and Pfeffer, 1974: 3)—a relationship between actors in which one actor can get another actor to do something that otherwise it would not have done (Dahl, 1957). The theory of stakeholder identification and salience suggests that the influence of a stakeholder should also capture the urgency, dependency and legitimacy for the firm (Mitchell, Agle, and Wood, 1997). Accordingly, media pressures and the importance of a stakeholder to a company make up the company's perceived media influence. Despite the complexities of media interactions in society, the stakeholder perspective offers insight into the media's influence as companies perceive it.

As a result of recent developments in the commercial media, the traditional media is steadily losing its autonomy to the interests of corporations and other shareholders. A hegemonic approach to the subject argues that the media is part of an economic, political, social, and cultural struggle (Kuhn, 2008). According to this approach, different stakeholders and classes compete for dominance and attempt to impose their visions, interests, and agendas on society as a whole. Firms, along with other groups, struggle for social dominance by disseminating images through the media (Gamson *et al.*, 1992).

The agenda-setting theory also proposes that the media coverage of certain issues can cause other issues to become salient (Ader, 1995; McCombs and Shaw, 1972). Media attention and coverage of a topic increases public awareness of the particular issue and, thus, influences its life cycle (Mahon and Waddock, 1992). This media influence goes beyond issue saliency; the media also influences attitudes, behaviors, and even the social construction of reality (Gamson *et al.*, 1992; Roberts, 1992) through its contents (McCombs, 1992; Shoemaker and Reese, 1991). Furthermore, media coverage is also an indication of the knowledge and opinions of civic society and various stakeholders.

The media, therefore, is a participant in the social construction process (Gamson *et al.*, 1992) because it not only contains information available for processing by stakeholders (Weigelt and Camerer, 1988) but it also records and influences public opinion (Ferrier, 1997). Some people regard media influence as a form of mind control or influence that operates indirectly through mental representations and communication of content. Others regard it as the extent to which mental representations of the public (people, groups, civic society, stakeholders at large) can be controlled by the media (Haley, 1996). The fields of cognitive and social psychology show that the perceived media influence can be explained by notions of media credibility, public accountability, responsibility, and answerability (van Dijk, 1992; Fudenberg, Levine, and Maskin, 1994).

Media credibility reflects the extent to which society (civil society, consumers, and various groups beyond the scope of this study) consider media discourse, stories, images, and agenda to be a transparent construction of reality. Media credibility is a matter of perception, and claims about the coherency of media discourse vary (Sinha, Inkson, and Barker, 2012). The media record shapes public knowledge and opinions about firms as it also shapes knowledge and opinions on other topics (Kuhn, 2008). Regarding firms' actions, Fombrun and Shanley (1990: 240) assert that the media is more than simply advertising and reporting on firms' actions; it can also function as "active agents shaping information." How this information transfer takes place is often labeled as media responsibility, or the proper conduct of the media institutions and actions (Fombrun and Shanley, 1990; Kiousis, 2004). Public accountability, the media's willingness or informal obligation to render account or be held accountable for its actions, can also explain the media's influence. Media accountability is the informal requirement for the media to provide an unbiased record of events, issues, or opinions and to be a neutral disseminator of information (Weaver and Wilhoit, 1986; Lanzara, 2009). When the public perceives certain media entities as highly accountable, the level of trust is high. Some examples of high accountability are situations in which an entity has not been accused of bias or has not had to publicly retract inaccurate stories (Hallin, 1986). This superior conduct is contracted or assigned to the media by governments through legislation or by social, moral, and ethical consensus, providing formal or normative frames stipulating the ethical extent of the media's activities and its conduct (Robinson, Barth, and Kohut, 1997). In addition, McQuail (1997) describes media influence as a form of answerability that distinguishes between two types of liability. Negative liability occurs when the media damages firms' reputation and image. Positive liability occurs when firms achieve certain goals through the media (Bardoel, 1996; Bardoel and d'Haenens, 2004). Therefore, the media's perceived influence on firms is its credibility in combination with political and public accountability, responsibility, and answerability. If the media is able to present issues in a complete and accurate manner, its impact is high (Robinson *et al.*, 1997).

### 3. Firms' Actions to Manage the Media

The media mainly influences economic and social interaction (Williamson, 1985) through information exchanges between various stakeholders and the society at large (Aranson, 1990; Gamson *et al.*, 1992; Hynds, 1994), and it disseminates and presents the stories, ideas, and information about business practices and shapes firms' image, reputation, and legitimacy (Dean and Brown, 1995). From a classic rationality viewpoint, firms may interact with the media on an ad hoc basis when their business activities are affected (Neuman *et al.*, 1992). However, a stakeholder management perspective would argue that a continuous management action repertoire is necessary because the media is an overarching, paramount stakeholder that can help firms achieve a competitive advantage (Greenwood *et al.*, 2005; Baron and Diermeier, 2007; Cook and Fox, 2000; Wartick, 1992). Furthermore, organizational response literature provides two main types of organizational response actions that firms can use to manage the media. One type involves fire-fighting techniques deployed from time to time, when necessary, to achieve short-term objectives or provide an adaptive response to a specific event (Chen, 1996; Oliver, 1991). Such actions typically consist of incremental and reversible measures to respond to negative media exposure and to provide immediate needed remedies. Therefore, issue or event specificity and ad hoc tactics are the major characteristics of the fire-fighting response (Kobrin, 1982). Firms initiate responses as short-term actions on an issue-by-issue basis (Kaufmann, 1998). Standing out and making their voice heard only when a certain issue has become salient may benefit the firms by enhancing their reputation (Deephouse, 2000). Some scholars assert that the media generally presents events instead of issues (Gamson *et al.*, 1992), an argument that sustains event specific actions as a suitable way to manage the media. Accordingly, it is possible to describe fire-fighting actions as a firm's response through or to the media following an event or other timely matters. For this reason, firms make use of fire-fighting actions when the effects have become perceptible and necessary (Hillman and Hitt, 1999; Mitchell and Blumler, 1994). They must consider the evolution of a public issue and how to manage it (Bigelow, Fahey, and Mahon, 1993). Through fire-fighting actions, firms quickly manage contingencies from the media without necessarily attempting to coordinate the organization with these contingencies (Donaldson, 1996).

Another way for firms to deal with the media is through long-term response actions that involve a significant commitment of resources that take into account specific media characteristics such as pluralistic issues, the most influential media types and means, issue management, interest points, or other matters of concern (Bigelow *et al.*, 1993; Chen 1996; Miller and Wanta, 1996). According to this scrutiny, firms establish long-term objectives aimed at aligning their way of doing business with the features detected during the initial screening of the stakeholder influences (Nahapiet and Ghoshal, 1998). The repertoire for strategic response actions initially entails a strategic screening and, accordingly, a further adaptation to the contingencies of the media detected during the screening—attempting, to a certain extent, to adapt organizational strategies to the media contingencies (Reed, 1985; Pennings *et al.*, 1998). The media's ability to affect firms' reputation by influencing society's perception of what it should regard as good or ethical business practices (van Dijk, 1992; Fombrun, Gardberg, and Barnett, 2002) justifies strategic actions as suitable for media management. Firms preview certain influences before they take place and attempt to diminish their impact on their business activities (Tanzi, 1998; Oliver, 1991). It is necessary for firms' strategic actions to have clear objectives—for example, when a firm aims to be first at informing various stakeholders about a specific issue before the issue becomes widely salient and affects the firm's image (Capriotti, 2009; Oliver, 1991; Bigelow *et al.*, 1993). Thus, strategic response actions help firms craft their image among other stakeholders and shape the perception of their organizational mission and practices, and they help firms avoid becoming the target of negative public perception (Wartick, 1992; Bertrand, 2000; Capriotti, 2009).

**4. Hypotheses**

Firms' perception of the media influences determines the priority of organizational responses and types of actions they take. Firms assess whether the media, through its influence, can benefit or hinder their activities and decide accordingly on the necessity and depth of their organizational responses (types of actions). If a firm perceives the media as being strongly influential on public opinion, society, and stakeholders on a particular issue important to it, it will likewise perceive the potential media threats or opportunities to be important. The extent of media influence dictates the potential to benefit or harm firms' activities (Capriotti, 2009). For this reason, a strong media influence is an important source of competitive advantage and disadvantage (Deephouse, 2000), legitimacy, and reputation building (Wartick, 1992). Firms must use this increased media influence to create perceptions and outer representations of their organizational image, which must align with their interest issue, scope, and practices. To do so, firms must look for opportunities to align and adapt the organization to external media contingencies. Thus, when media influence is high, firms perceive either increased opportunities through stakeholder management or increased potential threats to their reputations and social legitimacy. In either case, there are strong incentives for firms to plan strategic response actions to manage potential increased media influence (Greenberg, 1966).

However, when firms perceive media influence to be low, they will perceive the influence and benefit of media coverage of their activities to be limited (Kiewert and McCubbins, 1991). In this situation, firms use temporary and easy-to-implement fire-fighting actions that provide them with a buffer against random events with low implications for their business activities (Chen, 1996; Mitchell and Blumler, 1994). When firms perceive media stakeholders to be nonthreatening, their responses to media activities are also limited, which further demotivates firms' stakeholder management activities (Donaldson, 1996). Therefore, we formulate the following hypothesis:

*Hypothesis 1: The higher the perceived media influence, the more likely it is that the firm will use strategic actions rather than fire-fighting actions to deal with the media.*

Although the perception of media influence is an important element that justifies the choice of whether to employ fire-fighting or strategic actions, the available resources can also help determine organizational response actions (Conner and Prahalad, 1996; Hall, 1993; Hillman *et al.*, 2004). Firms with a large resource base are more visible to the public eye, one reason they are sensitive to the media's influence and coverage. Because large firms enjoy higher visibility and exposure to more stakeholders than small firms, they also are more vulnerable to the influence of the media (Getz, 1997). According to Meznar and Nigh (1995; p. 980), "The larger a firm becomes, the more likely it is to catch the public's eye." Large firms are generally also dependent on many influential stakeholders and, therefore, are motivated to develop and maintain long-term relationships and networks with these stakeholders and to solidify their trust and reputation through media entities. These large firms are not only more motivated to use strategic actions to build trust, develop a reputation, and maintain continuous interactions with the media (Capriotti, 2009) than small firms, but they also have the means (tangible resources) to dedicate to response actions. In this case, their tangible resources represent not only an incentive for strategic actions and stakeholder management but also a means to facilitate the implementation of these actions (Bhuyan, 2000). Thus, they try to prevent and minimize potential risks by deploying organizational resources for strategic action planning (Masters and Keim, 1985). Firms with a small resource base focus more on market stakeholders than on nonmarket stakeholders such as the media (Hannan *et al.*, 1995). Because these firms are restricted in their actions by limited tangible resources, they can dedicate fewer resources to response actions (Mosakowski, 1998). Therefore, firms with a large tangible resource base are more inclined to employ strategic response actions to deal with media stakeholders. For this reason, we formulate the following hypothesis:

*Hypothesis 2: The more tangible resources a firm has, the more it will use strategic actions rather than fire-fighting actions to manage the media.*

Intangible resources may also determine the preference for using a certain type of organizational response action (Hall, 1993). New firms aiming to develop social capital and stakeholder networks may lack sufficient intangible resources, such as experience, knowledge accumulation, social capital, and relationship networks, to deal with stakeholders (Hillman, Schuler, and Keim, 2004; Boddewyn and Brewer, 1994; Hillman and Hitt, 1999; Edwards and Fowley, 1998). Thus, young firms have different priorities than established firms (Hannan and Freeman, 1984). This lack of intangible resources, such as experience and familiarity, combined with a lack of roots and reputation, creates an incentive to implement strategic actions and develop relationships with other stakeholders (Hillman, 2003). In addition, credible reputations are intrinsic to social capital, the tacit resource attained through network building (Sinha, Inkson, and Barker, 2012). Newly established firms with limited experience must learn new roles as social actors, build social capital, position themselves in the business environment, and attract the interest and influence of various stakeholders (Hannan *et al.*, 1995; Uzzi, 1997). Therefore, it is important for such firms to focus on creating in-depth relationships with and through media and other nonmarket-related actors, getting involved in the development of media-salient (interest) issues, and building a network that embeds social capital (Sinha, Inkson, and Barker, 2012; Luo, 1999). Strategic actions could help new firms achieve such objectives and develop networks that result in social capital. Therefore, the lack of intangible resources creates incentives for new firms to use strategic response actions to build relationships with nonmarket stakeholders such as the media (Hillman, 2003; Luo and Peng, 1999). Consequently, we expect that firms with fewer intangible resources will use strategic response actions to manage the media to compensate for this deficiency (Suchman, 1995; Hsu and Hannan, 2005). Therefore, we formulate the following hypothesis:

*Hypothesis 3: The fewer intangible resources a firm has, the more likely it will use strategic actions rather than fire-fighting actions to manage the media.*

## 5. Methodology

### *5.1 Sample and Data*

The media, in particular the news media, has a strong impact on public opinion and knowledge creation and diffusion. The news media presents and analyzes issues and sets the public agenda. Its ability to transfer issues of importance from its own agendas to the public agenda makes it powerful and thus essential in assessing its influence on the business community and on opinion formation and knowledge diffusion. Sometimes entertainment and sports media also place issues, in particular local news content, on the public agenda, but this is not part of their main function (Djankov *et al.* 2003; MediaMonitor, 2011). In this study, we therefore exclude entertainment and sports media.

The media landscape is in transition. As a result of digitization, new media sources are developing, and content is becoming more and more mobile. The development of new media has even sped up the blurring of boundaries and the convergence of different traditional media industries into one (van Kranenburg and Ziggers, 2013). Most technologies described as "new media" are digital and are often manipulable, networkable, dense, compressible, and interactive. Although the media landscape is difficult to define, even if all traditional media entities such as newspapers and television channels were to disappear, the new media would still influence public opinion and knowledge creation and diffusion. Therefore, this study focuses on the news media—specifically on that of the Netherlands, where the traditional news media is still relatively strong. Newspapers, television, magazines, and radio, respectively, reach more than 70, 95, 93, and 70 percent of the population in given a week (Zenith Media, 2011). All of these news media sources also have their own publicly accessible websites. Reading online dailies and magazines, listening to Web radio, watching Web television, and participating in activities related to obtaining and sharing audiovisual content are popular among Dutch citizens (Media Monitor, 2011). The Netherlands has one of the highest percentages in the world of regular Internet users (86 percent).

Concerning media freedom, the Netherlands has for many years placed in the top 10 in the Reporters sans Frontiéres ranking (2012). The United States (in 1791) and the Netherlands (in 1848) are among the first nations to guarantee fundamental rights and liberties such as freedom of the press, freedom of opinion, and freedom of information. Engesser and Franzetti (2011) assert that countries with a long tradition of freedom tend to adopt media earlier than others.

We gathered the data for this study using a postal survey conducted among managing directors of foreign firms in the Netherlands during the summer of 2010. We selected the initial sample of 800 medium- and large-sized foreign firms operating in the Netherlands from the Dun & Bradstreet database in 2009. At the time, these foreign firms delivered 30 percent of their total business volume in the Netherlands, and the total turnover rendered €366 billion, representing 30 percent of the total turnover in the Netherlands. Furthermore, foreign firms accounted for 21 percent of overall investments and for 22 percent of the investments in research and development (Netherlands Foreign Investment Agency, 2012). To improve our preliminary survey and assess its feasibility, we first conducted 17 in-depth interviews with the firms' managers and discussed the survey items. We used their comments and suggestions to revise the survey. Subsequently, we carried out a pilot survey to evaluate the revised survey instrument. The returned responses totaled 180 foreign firms (22.5 percent of the sample group) operating in the Netherlands and originating from 21 home countries: Austria, Belgium, Bermuda, Canada, Denmark, England, Finland, France, Germany, India, Ireland, Italy, Japan, Luxembourg, Norway, Portugal, South Africa, Spain, Sweden, Switzerland, and the United States). Missing survey data reduced the number of usable responses to 157.

## 6. Variables

### *6.1 Dependent Variable*

The dependent variable of the study is the *type of actions* firms use to manage the media. The media practices we measured include the following: disseminating press releases; holding press conferences; training employees in media relations; contracting media experts; hiring media specialists; contracting public relations specialists; contracting external lobbyists; building socially responsible reputations; and attending to interest groups (Baron, 2006; Bertrand, 2000; Hutchins Commission, 1947; Oliver, 1991; Wanta and Hu, 1994). We asked the firms to specify how often they use each action: "never used" (fire-fighting), "rarely used" (fire-fighting), "very frequently used" (strategic), and "continuously used" (strategic) (Chen, 1996; Hillman, *et al*., 2004; Kaufmann, 1998). To establish which type of action each firm uses, we compared its score on fire-fighting with its score on strategic actions; we considered the firms having a fire-fighting score higher than 0.5 to be implementing fire-fighting actions and coded them as 0; we considered the firms with a strategic score higher than 0.5 to be implementing strategic actions and coded them as 1. All firms tended to fall neatly into one of the two categories—either fire-fighting or strategic.

Table 1. Correlation of factors for perceived media influence

| **Variables:** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Items component *accountability*** | | | | | | | | | | | | |
| 1. Media's fairness | | | | | | | | | | | | |
| 2. Media's accuracy/factuality | 0.67 | | | | | | | | | | | |
| 3.Independence of media institutions | 0.44 | 0.74 | | | | | | | | | | |
| **Items component *answerability*** | | | | | | | | | | | | |
| 4. Up-to-date coverage | 0.47 | 0.49 | 0.58 | | | | | | | | | |
| 5. Concern for public interest | 0.41 | 0.51 | 0.59 | 0.45 | | | | | | | | |
| 6.Concern for community's well-being | 0.46 | 0.43 | 0.49 | 0.46 | 0.59 | | | | | | | |
| **Items component *credibility*** | | | | | | | | | | | | |
| 7. Confidence in media institutions | 0.63 | 0.48 | 0.48 | 0.42 | 0.46 | 0.60 | | | | | | |
| 8. Trustworthiness | 0.63 | 0.50 | 0.63 | 0.39 | 0.48 | 0.44 | 0.44 | | | | | |
| 9.Media's saliency (influence capacity) | 0.62 | 0.52 | 0.57 | 0.45 | 0.51 | 0.48 | 0.51 | 0.68 | | | | |
| **Items component *responsibility*** | | | | | | | | | | | | |
| 10. Report of the whole story | 0.69 | 0.54 | 0.57 | 0.31 | 0.46 | 0.48 | 0.55 | 0.57 | 0.64 | 0.65 | | |
| 11. Separation of fact and opinion | 0.53 | 0.68 | 0.66 | 0.48 | 0.51 | 0.46 | 0.49 | 0.60 | 0.61 | 0.47 | 0.59 | |
| 12.Professionalism of people in media | 0.60 | 0.52 | 0.52 | 0.45 | 0.56 | 0.41 | 0.39 | 0.50 | 0.50 | 0.55 | 0.57 | 0.57 |

### *6.2 Independent Variables*

We constructed the independent variable *perceived media influence* (Hypothesis 1) from the questionnaire survey through a composite measure indicating several items as perceived by firms with regards to traditional media (print, radio, and television). On a five-point Likert scale, the following items measured four major components of perceived media influence: confidence in media institutions, trustworthiness, media's saliency (influence capacity; items that measure the component *credibility*); media's fairness, media's accuracy/factuality, independence of media institutions (items that measure the component *accountability*); up-to-date coverage, concern for public interest, concern for the community's well-being (items that measure the component *answerability*); reporting the whole story, separation of fact and opinion, and professionalism of people in the media (items that measure the component *responsibility*) (Fudenberg *et al*., 1994; Gamson *et al*., 1992; Weaver and Wilhoit, 1986; McCombs and Shaw, 1972; Roberts, 1992). The correlation results fulfill the requirement condition for factor analysis (see Table 1).

Table 2 reports the results of the extraction method principal component analysis using the items mentioned earlier and the Cronbach's alpha of the factors we used. All items show a Cronbach's alpha higher than 0.9. This result shows that our components are reliable and should be used in the measurement of the variable perceived media influence. Because all the component factors showed high loadings, and thus were consistent contributions to the variable perceived media influence, none of the initial factors was excluded from the final analysis of the variable perceived media influence.

Table 2. Results extraction method: principal component analysis perceived media influence

| | Raw component | Rescaled component | Cronbach's alpha |
|---|---|---|---|
| **Component *credibility*** | | | |
| 1. Confidence in media institutions | 0.670 | 0.681 | 0.929 |
| 2. Trustworthiness | 0.735 | 0.772 | 0.930 |
| 3. Media's saliency (influence capacity) | 0.770 | 0.782 | 0.928 |
| **Component *accountability*** | | | |
| 4. Media's fairness | 0.740 | 0.805 | 0.928 |
| 5. Media's accuracy/factuality | 0.729 | 0.781 | 0.929 |
| 6. Independence of media institutions | 0.801 | 0.837 | 0.927 |
| **Component *answerability*** | | | |
| 7. Up-to-date coverage | 0.708 | 0.650 | 0.935 |
| 8. Concern for public interest | 0.762 | 0.740 | 0.931 |
| 9. Concern for community's well-being | 0.679 | 0.682 | 0.933 |
| **Component responsibility** | | | |
| 10. Report of the whole story | 0.720 | 0.759 | 0.931 |
| 11. Separation of fact and opinion | 0.760 | 0.822 | 0.928 |
| 12. Professionalism of people in media | 0.740 | 0.727 | 0.931 |

Table 3 provides the correlation results, square roots, and bootstrapping results for the constructs used to measure the variable perceived media influence.

Table 3. Construct-level measurement statistics and bootstrapping procedure perceived media influence

| | 1 | 2 | 3 | 4 | Beta coefficients | T-values |
|---|---|---|---|---|---|---|
| Accountability | **0.70** | | | | 0.35 | 2.00 |
| Answerability | 0.28 | **0.72** | | | 0.28 | 1.95 |
| Credibility | 0.26 | 0.16 | **0.74** | | 0.35 | 2.02 |
| Responsibility | 0.26 | 0.24 | 0.09 | **0.70** | 0.19 | 1.29 |

[a]Bold numbers on the diagonal denote the square root of the average variance extracted.

The square roots of the average variance extracted and the evaluation of the measurement model reveal that the items we used to measure the components of the variable *perceived media influence* are good indicators for these components (square root accountability 0.70; square root answerability 0.72; square root credibility 0.74; square root responsibility 0.70). Our results show that the most important constructs explaining the variable *perceived media influence* are accountability (t-value 2.00; coefficient 0.35), answerability (t-value 1.95; coefficient 0.28), and credibility (t-value 2.02; coefficient 0.35). Furthermore, the 0.70 square root for responsibility is high; however, the t-value of 1.29 shows a medium effect contribution of the construct *responsibility* to the measurement of the perceived media influence.

The independent variable *tangible resources* measures an organization's size by the number of employees it has (Hypothesis 2). According to Hall (1993) and Keim and Baysinger (1988), the number of employees relates directly to the ability of the firm to engage in long-term strategic actions and to generate constituency support and leverage with various stakeholders, among which we distinguished the media.

The independent variable *intangible resources* (Hypothesis 3) measures firms' experience in the business environment and among its stakeholders—the number of years since the firm was established. This indicator provides a fair overview or a proxy of the experience, social capital, and knowledge the firm has accumulated about the business environment and stakeholders (Hall, 1993).

*6.3 Control Variables*

Some industries tend to attract media attention more than others. Therefore, we control for possible industry effects with the variables industry dummies for the three most-targeted industries in the Netherlands. The three industry dummies are manufacturing, finance and insurance, and services. In some industries, firms might be more sensitive to media influence than other sectors because of the direct impact of the media on their activities (e.g., sales) or because of increased media exposure of certain industries (i.e., industries with high concern about responsible operation tactics or environmental issues).

The control variable regional headquarters (HQ) function indicates whether the firm operates as a regional HQ. It is a dummy with the value of 1 if the firm has a regional HQ function and with a value of 0 if it has no regional HQ function. Firms with a regional HQ function are more visible to the public eye and more sensitive to reputation and legitimacy issues. Thus, for these firms the media could have a strong influence on interactions with various stakeholders, interest issue development, and agenda setting (Bhuyan, 2000).

The control variable market scope designates the spectrum of interactions and stakeholders involved in the firms' activities. We measured this control variable based on the destination of the firm's sales. We asked the managing director to indicate what share of the total sales would be going to the country's market. We used these shares to create the market scope variable, which ranges between 0 and 1; the closer the variable is to 0, the broader the market scope, and the closer it is to 1, the narrower the market scope.

The control variable number of other subsidiaries of the parent company in the same country indicates the visibility of multinational enterprises. It is the number of firms within the same parent company. The more subsidiaries the corporate parent has, the more likely it is that the firm enjoys higher visibility among various stakeholders as a result of this exposure; thus, it becomes more vulnerable to the media influence (Getz, 1997).

In addition, given that our sample focused on foreign firms, we considered other variables specific to the sample group of foreign firms that might also relate to their choice of response actions. The control variable country difference captures the difference in political systems between the home country and the host country of the firm. In international contexts, actions can be a vehicle for cultural expression and social cohesion between the values of the home country of the foreign firms and those of their host country (Bucy, 2003; Fombrun et al., 2002). This variable is based on the differences in Beck's political ideology scale between countries (Beck et al., 2001). Dow and Karunaratna (2006) show that Beck's political ideology scale also provides a good indication of the general psychic distance measure, which is the reason we use this scale to estimate the home and host country difference.

## 7. Analysis and Results

Table 4 presents the descriptive statistics and the correlation matrix for the variables in this study. The correlation is low for most variables, indicating that multicollinearity is not a problem.

Table 4. Descriptive statistics and bivariate correlations for all variables, N = 157

| Variables | Mean | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Perceived media influence | .56 | | | | | | | | | |
| 2. Tangible resources | 474.53 | 0.15 | | | | | | | | |
| 3. Intangible resources | 23.86 | 0.11 | 0.01 | | | | | | | |
| 4. Manufacturing | 0.43 | 0.11 | 0.17 | 0.18 | | | | | | |
| 5. Finance and insurance | 0.15 | 0.10 | 0.16 | 0.00 | 0.08 | | | | | |
| 6. Services | 0.14 | 0.17 | 0.05 | 0.10 | 0.05 | 0.07 | | | | |
| 7. Regional HQ function | 0.24 | 0.00 | 0.18 | 0.11 | 0.17 | 0.08 | 0.10 | | | |
| 8. Market scope | 0.39 | 0.10 | 0.15 | 0.16 | 0.11 | 0.18 | 0.00 | 0.11 | | |
| 9. Nr. other subsidiaries | 4.43 | 0.15 | 0.18 | 0.11 | 0.10 | 0.12 | 0.17 | 0.11 | 0.10 | |
| 10. Country differences | 0.35 | 0.24 | 0.16 | 0.10 | 0.17 | 0.14 | 0.15 | 0.17 | 0.16 | 0.14 |

In addition, we calculated variance-inflated factors (VIF) by running artificial ordinary least squares regressions between each independent variable as the dependent variable and the remaining independent variables (Maddala, 2000). Because all VIF values are smaller than 1.5, there is no multicollinearity between the variables. It is worth mentioning that 51.0 percent of the firms use fire-fighting actions to manage the influence of media on their business activities, and 49.0 percent of the sample implement strategic actions for the same purpose.

We used a binomial logit model to test our hypotheses. Because the results were unambiguous, we only examine the results of the full model. Compared with the other models, the full model has the expected lowest log-likelihood value. In terms of the overall fit of the model, the binomial logit model correctly predicts 83.8 percent of the dependent variable. Table 5 presents the results of the binomial logit model using NLOGIT 4.0.

Table 5. Results of binomial logit predicting the preference of firms for either fire-fighting or strategic actions

| | **Model with only control** | | **Model with one hypothesis** | | **Full model** |
|---|---|---|---|---|---|
| **Variable** | **Model 1** | **Model 2** | **Model 3** | **Model 4** | **Model 5** |
| Constant | -0.385 | -1.145 | -0.338 | 0.117 | -0.585 |
| | (0.480) | (0.560)** | (0.486) | (0.520) | (0.603) |
| (H1) Perceived media influence | | 1.113 | | | 1.056 |
| | | (0.376)*** | | | (0.392)*** |
| (H2) Tangible resources | | | -0.001 | | -0.001 |
| | | | (0.002) | | (0.002) |
| (H3) Intangible resources | | | | -0.036 | -0.035 |
| | | | | (0.0110*** | (0.011)*** |
| Manufacturing | -1.596 | -1.497 | -1.616 | -1.222 | -1.150 |
| | (0.466)*** | (0.484)*** | (0.468)*** | (0.488)** | (0.505)** |
| Finance and insurance | -0.306 | -0.225 | -0.280 | -0.308 | -0.175 |
| | (0.524) | (0.539) | (0.525) | (0.545) | (0.558) |
| Services | 0.627 | 0.754 | 0.686 | 0.752 | 0.960 |
| | (0.625) | (0.649) | (0.635) | (0.675) | (0.693) |
| Regional HQ function | 0.189 | 0.223 | 0.217 | -0.047 | -0.004 |
| | (0.407) | (0.425) | (0.409) | (0.425) | (0.439) |
| Market scope | 1.488 | 1.701 | 1.502 | 1.401 | 1.602 |
| | (0.545)*** | (0.571)*** | (0.546)*** | (0.576)** | (0.600)*** |
| Nr. other subsidiaries | 0.048 | 0.037 | 0.046 | 0.074 | 0.062 |
| | (0.047) | (0.049) | (0.047) | (0.052) | (0.055) |
| Country differences | 0.428 | 0.443 | 0.452 | 0.573 | 0.651 |
| | (0.751) | (0.771) | (0.754) | (0.784) | (0.806) |
| *Log likelihood function* | -95.105 | -90.502 | -94.836 | -87.759 | -83.804 |

*Note:* Standard errors are in parentheses. *$p < 0.10$ **$p < 0.05$ ***$p < 0.01$; Tangible resources variable has been rescaled by dividing by 10.

We also estimated the binomial logit model with the variables tangible resources, intangible resources, and number of other subsidiaries, which we transformed into logarithms. The estimates of this model showed similar results to the model with variables without transformation. Table 5 displays the results of the model.

Hypothesis 1 states that the higher the perceived influence of the media in a society, the more likely a firm will use strategic actions rather than fire-fighting actions to manage the influence of the media. Our results show that firms that perceive the media as having a high influence prefer to use strategic actions to manage the influences of the media entities. Therefore, we accept Hypothesis 1.

Hypothesis 2 stresses that the more tangible resources a firm has, the more likely a firm will use strategic actions rather than fire-fighting actions to manage the influence of the media in the environment. The results indicate no significant relationship between tangible resources and the predilection toward a particular type of action. Therefore, we reject Hypothesis 2.

Furthermore, as Hypothesis 3 suggests, the fewer the intangible resources a firm has, the higher the likelihood that it will use strategic rather than fire-fighting actions to manage the media's influence. Based on the results, we accept Hypothesis 3.

Our empirical investigation also shows surprising results concerning the control variables. The outcome for the manufacturing dummy indicates that manufacturing firms employ fire-fighting actions to deal with the media's influences more often than firms from other industries. Another remarkable finding is the negative relationship between the market scope and the preference for strategic actions. Firms with a market scope focused mainly on one country's market prefer strategic actions, whereas firms with a focus on markets in a wider range of countries (broader market scope) implement fire-fighting actions to manage media influences. The other control variables—that is, the number of other subsidiaries from the same corporate parent, regional HQ function, and country differences in the political systems of the home and host country of the firm—do not significantly affect the preference for the type of media actions to host media.

Next, we examine the marginal effects that show the changes in the predicted probability associated with changes in the independent and control variables. A study of the marginal effects indicates the kind of impact of the independent and control variables as well as their level of significance. Table 6 presents the marginal effects of the explanatory variables.

Table 6. Results of marginal effects on the probability that firms prefer either fire-fighting or strategic actions

| | **Model with only control** | | **Model with one hypothesis** | | **Full model** |
|---|---|---|---|---|---|
| **Variable** | **Model 1** | **Model 2** | **Model 3** | **Model 4** | **Model 5** |
| Constant | -0.096 | -0.286 | -0.084 | 0.029 | -0.146 |
| | (0.120) | (0.140)** | (0.121) | (0.129) | (0.150) |
| (H1) Perceived media influence | | 0.271 | | | 0.255 |
| | | (0.086)*** | | | (0.090)*** |
| (H2) Tangible resources | | | -0.003 | | -0.003 |
| | | | (0.004) | | (0.005) |
| (H3) Intangible resources | | | | -0.009 | -0.009 |
| | | | | (0.003)*** | (0.003)*** |
| Manufacturing | -0.378 | -0.356 | -0.382 | -0.293 | -0.277 |
| | (0.099)*** | (0.104)*** | (0.099)*** | (0.110)*** | (0.114)** |
| Finance and insurance | -0.076 | -0.056 | -0.070 | -0.076 | -0.043 |
| | (0.129) | (0.133) | (0.129) | (0.132) | (0.137) |
| Services | 0.154 | 0.184 | 0.168 | 0.185 | 0.233 |
| | (0.148) | (0.150) | (0.148) | (0.159) | (0.156) |
| Regional HQ function | 0.047 | 0.056 | 0.054 | -0.012 | -0.001 |
| | (0.101) | (0.106) | (0.102) | (0.106) | (0.109) |
| Market scope | 0.372 | 0.425 | 0.375 | 0.349 | 0.398 |
| | (0.136)*** | (0.143)*** | (0.136)*** | (0.144)** | (0.150)*** |
| Nr. other subsidiaries | 0.012 | 0.009 | 0.011 | 0.018 | 0.015 |
| | (0.012) | (0.012) | (0.012) | (0.013) | (0.014) |
| Country differences | 0.107 | 0.111 | 0.113 | 0.143 | 0.162 |
| | (0.188) | (0.193) | (0.188) | (0.195) | (0.201) |

*Note:* Standard errors are in parentheses. *p < 0.10 **p < 0.05 ***p < 0.01

The results of the marginal effects study show that a one-point increase in perceived media influence increases the probability that a firm will prefer strategic actions by 0.255. Furthermore, a one-point increase in a firm's level of intangible resources decreases the probability that the firm will design and implement strategic actions by 0.009. The result for a firm's market scope shows that an increase in sales scope has a positive effect of 0.398 on the probability that the firm prefers to implement fire-fighting actions to deal with the media. Finally, a manufacturing firm has a higher probability of 0.277 of using fire-fighting actions rather than strategic actions to deal with the influences of the media.

## 8. Discussion and Conclusions

Given its increased importance in the contemporary business environment, the media has irrefutably become a stakeholder that can greatly affect firms' business activities. Although few experts would dispute the overall influence of the media, relatively few studies on the stakeholder management perspective focus on the importance of the media as a stakeholder and its influence on the organizational behavior of firms (Deephouse, 2000; Baron and Diermeier, 2007). This study aims to contribute to the development of the stakeholder management perspective using the organizational response perspective by developing a more integrated perspective on the influence of an important stakeholder—the media—on firms. By investigating the media's perceived influence on firms and empirically supporting its relationship with the response actions of firms to deal with the influences of the media, we maintain that the media is an important stakeholder. Our empirical results show that the perceived media influence determines the type of actions firms employ to deal with the media. Previous studies have shown how firms' actions can influence media content (Capriotti, 2009; Sinha, Inkson, and Barker, 2012). These findings are significant to understanding that, on the one hand, the media influences firms' actions and, on the other hand, firms' responses can alter not only media content but also the media's influence on society. To better understand the perceived media influence, we develop a construct to measure the perceived influence of the media. The result of our factor analysis confirms that the following components explain the media's perceived impact: media fairness, accuracy, concern for the community's well-being, objectivity, up-to-date coverage, factuality, independence of its institutions, trustworthiness, concern for public interest, credibility, professionalism, and confidence in its institutions. The results confirm that firms perceive the impact that the media has in a society and the benefits of reputation building and information transfer it can convey differently. The firms that perceive the media as having a small influence do not dedicate time and resources to designing specific strategic actions for this stakeholder because they consider it harmless to their business operations or not useful for reputation-building purposes (Fudenberg *et al.*, 1994; Kogut and Udo, 1996). However, the firms that perceive the media as having a high potential impact employ strategic actions and develop in-house employee training programs aimed at using media influence to bolster their corporate reputation and legitimacy. Firms opt for fire-fighting actions such as temporarily contracting public relations specialists or calling press conferences for a specific issue rather than having in-house specialists working on a continuous base to improve relations with the media to strengthen their reputations. Such firms do not include such actions in employee training programs. Firms immobilize resources on a provisional basis (Hillman and Hitt, 1999), and, once the issue is solved, media awareness (of and within the organization) becomes a low priority (Kiewert and McCubbins, 1991).

Chen and Meindl (1991) show that it is possible to change people's perceptions by changing portrayals in the media. They employ the agenda-setting and social constructionist view. Along the same lines, we argue that through the media, it is possible to change firms' stakeholder perception and evaluation. The results of our study show that firms even hire external lobbyists to mitigate certain issues on behalf of the company to create a public image or transmit a public organizational stance toward a specific issue and thus influence agenda setting. When the perceived media influence is high, firms also build networks with the media to reach other stakeholders. These findings are in line with Bramson (2007).

Furthermore, empirical results show that the amount of intangible resources determine the type of response action; newly established firms are more motivated to implement strategic actions meant to develop social capital and relationships with other stakeholders using the media. These findings are consistent with the perspectives of Hillman and Hitt (1999) and Nahapiet and Ghoshal (1998). However, older established firms prefer to implement fire-fighting actions to manage the media. Our results mirror Yoffie and Bergenstein's (1985) arguments regarding the concept of political–public capital, which stresses the idea of accumulation over time. This theory stream makes intangible resources a proxy for accumulated knowledge, the reputation and credibility built by the firm among other stakeholders, or social capital (Boddewyn and Brewer, 1994; Hillman and Hitt, 1999; Pennings, Lee, and van Witteloostuijn, 1998; Dahan, 2005).

The results also show that firms with a single market orientation prefer to employ strategic actions to deal with the influence of the media, whereas firms with a broad market scope prefer to employ fire-fighting actions. Firms with a narrow scope and, thus, a small spectrum of contacts and stakeholders, employ strategic actions that enable them to build networks, social capital, and a reputation among stakeholders. These firms must manage fewer interest issues from stakeholders and can also intensify their relationships with them. Our results are contradictory to Chen's (1996), who argues that a broad market scope orientation or market dependence provides strong incentives for employing strategic actions.

In recent decades, media institutions and professionals have succeeded in strengthening their position within both market and nonmarket contexts as the media has linked important stakeholders and has brought into public eye various collective interest issues that do not always optimize firms' interests and courses of action (Bardoel and Deuze, 2001). Because of such developments, attributed to both endogenous and exogenous media contexts, this stakeholder has augmented its potential impact on firms' activities and society at large. Various stakeholders use the media to make a certain subject matter explode into public visibility and, in this way, affect its course of action. Because of this net of interests, the media often becomes a tool for other stakeholders. Likewise, it can serve this function for firms and become a tool to mold public image, set agendas, and manage stakeholders. An old proverb says, "If you are not at the table, you're probably on the menu" (unknown origin). This saying perfectly reflects the potential damages from failing to acknowledge and explore (the opportunities and threats of) the media as an intermediary stakeholder, which provides a forum in which firms and stakeholders debate (Gamson *et al.*, 1992; Deephouse, 2000).

Thus, our exploratory study strengthens the idea that firms should regard the media as an important stakeholder and, therefore, design and implement specific actions to manage its magnitude. These actions are not only meant to buffer the organization against media negativity but also to build reputations, strengthen legitimacy, and increase trust among other stakeholders. This rationale also relates to McQuail's study (1997), which describes the media as possessing benefits and liabilities. Intertwining McQuail's arguments with our findings, we regard the potential damages that the media can cause to firms' reputations and image to be liabilities and view the advantages achieved when firms employ the media to build legitimacy among stakeholders as benefits. Through actions, firms can manage the implications of the media as an external stakeholder as well as use the media to overcome various contextual barriers. Given that the media continuously shapes public opinion and knowledge through the content it communicates, firms can use the media's influence to craft their image or to position themselves vis-à-vis a specific (public) interest issue and build civic legitimacy among stakeholders (Wartick, 1992).

Given the exploratory nature of our study, there are various limitations that require further research. The perceived influence of the media is somewhat difficult to establish because of the specific features of this stakeholder: The media is pervasive and diffuse, and its influence is cumulative as well as all encompassing (Fombrun and Shanley, 1990). Although our research design controls for many firm-level and corporate-level variables, there are other contextual variables that could influence the prediction of actions. The role of the media is neither fixed nor well defined, but it is determined, implemented, and interpreted by legislatures, government administrative agencies, judicial institutions, public opinion, and ethical consensus uniquely in every country (Lanzara, 2009). Furthermore, evaluations of the perceived media influence from the perspective of different stakeholders could also be important to determining the types of actions suitable to manage the media. Further investigation of the performance implications of each category of actions would provide managers with a more complete picture of the efficiency of each. This study yields a rich overview of the items that can be attributed to the perception of the influences of the media and the organizational responses of firms to these influences in a particular media context—the Netherlands. This country has a long tradition of guaranteeing fundamental rights and liberties, a low level of control over the media and increased media diversity. However, it offers insights from one institutional context. Research contexts with a different level and nature of institutional control over the media might illicit different insights into media influences and the possibilities for firm actions. Therefore, a comparative study, conducted in a different research setting, could expand the range of perceived media influences and increase the spectrum of response actions that firms can employ in a given context. Furthermore, our insights refer to traditional media (print, radio, television) while new media (social media, blogs) could offer different outcomes and a more inclusive pallet of firm actions (Lanzara, 2009).

Currently, firms have high expectations of the media in terms of approachability and interactivity. Firms seem to expect media of all kinds be responsive and approachable. Yet, to a certain extent, responsibility and accountability of the media are still ambitious notions; they are also vague and open to discussion. Still, considering the interest of firms, it is important to thoroughly examine these media-related notions because they link important stakeholders in the economy. For this reason, further investigations could consider the notions of approachability and interactivity between firms and the media and with other stakeholders.

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