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Standing out in the crowd: How unique are the lobbying patterns of the broadcast and wireless industries?

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ABSTRACT

This study examines if, in addition to increasing lobbying expenditure amounts, corporations in the broadcast and wireless industries are also attempting to change lobbying strategies in order to gain competitive advantage. This study examines possible changes in lobbying strategies though the lens of institutional isomorphism, a mechanism of institutional theory. Using institutional isomorphism, the study examines if the broadcast and wireless industries have altered lobbying strategies in the face of competition. This examination is conducted through the construction and analysis of an original data set of lobbying expenditures for the broadcast and wireless industries from 1998 to 2012.

1. Introduction

In recent years, the broadcast and wireless industries have increased lobbying expenditures. While not the only industries to increase lobbying activity, the spending habits of these communication industries have attracted attention due to the fact that the two industries are beginning to compete against each other for policy objectives (Lasar, 2010; Wyatt, 2011). The industries have competing policy goals for incentive spectrum auctions, as well as the overall competing goal of having their industry be viewed as the dominant communications platform in the United States. Effective lobbying may result in being able to receive desired policy objectives, which can positively impact an industry's competitive advantage.

While the money spent on lobbying has received media interest, the strategies behind the spending have received little attention. This study asks if, in addition to increasing expenditure amounts, corporations in the broadcast and wireless industries are also attempting to change lobbying strategies in order to gain favorable policy formation. Interviews conducted with lobbyists employed by broadcast and wireless corporations have indicated that industry lobbying was more isomorphic before competition for favorable policy formation began, and the competition between the industries impacts the planning and execution of lobbying activities (Sindik, 2012). The respondents credited the passage of the 1996 Telecommunications Act, as well as technological innovations that have blurred the lines between the broadcast and wireless industries, as reasons for increased competition between the industries.

This study examines possible changes in lobbying strategies through the lens of institutional isomorphism, a mechanism of institutional theory. This examination is conducted through the construction and analysis of an original data set of lobbying expenditures for the broadcast and wireless industries from 1998 to 2012. Due partly to the fact that lobbying

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records were not readily available until recent years, lobbying expenditures have been an underused data source (Bombardini & Trebbi, 2012), but these sources of data are viewed as a particularly appropriate way to study political influence due to the specificity of information required in lobbying disclosure reports, and the fact that lobbying expenditures are a substantially larger form of political activity than campaign contributions. Previous research has examined lobbying through the use of secondary data of ex parte comments, comments from FCC public meetings, and interest group statements in order to examine lobbying behavior (de Figueiredo & Kim, 2004; de Figueiredo & Tiller, 2001; Joskow, 1991). In addition to adding to an understudied area of the literature, examining lobbying strategy in greater detail is also important because lobbying may allow organizations to gain favorable policy outcomes (Holburn & Vanden Bergh, 2002).

This paper is structured as follows. Section 2 reviews the relevant lobbying literature, and Section 3 introduces the theoretical framework and hypothesis. Section 4 explains the study methodology, Section 5 presents the major findings and Section 6 offers concluding thoughts and limitations of this study.

2. Relevant literature

Lobbying is a non-market strategy corporations use in an attempt to gain favorable governmental and policy outcomes (Holburn & Vanden Bergh, 2002; Vining, Shapiro, & Borges, 2005). Corporations are one of the primary groups to engage in lobbying (and other political activities), and are motivated by increased competitive advantage and favoritism bestowed from the regulatory agency (Nownes, 2006; Oliver & Holzinger, 2008; Olson, 1965). Regulation is not a passive activity for corporations, rather firms devote time and resources to political strategies in order to gain maximum economic returns (Cherry, 2006; Oliver & Holzinger, 2008).

Firms engage in lobbying to gain competitive advantage, increase legitimacy, and reduce uncertainties (Hillman & Hitt, 1999; Hillman, Zardkoohi, & Bierman, 1999; Meznar & Nigh, 1995, Oliver, 1991; Oliver & Holzinger, 2008; Schuler, Rehbein, & Cramer, 2002). When regulation is part of an industry's environment, firms will have more active political strategies, take a more proactive stand towards lobbying, and have additional incentives to lobby (Etzioni, 1984; Gais, 1983; Pittman, 1988; Ungson, James, & Spicer, 1985). While firms engage in a variety of political actions, lobbying is a better investment for firms than other political actions (e.g., campaign contributions and independent expenditures) because lobbying can more directly shape regulation (Birnbaum, 1993; Silverstein, 1998). Lobbying can give firms a competitive advantage because it allows information valued by the firm to be shared with policy makers, which is an important priority for firms (Clawson, Neustadt, & Weller, 1998; Holburn & Vanden Bergh, 2002; Lord, 2000; Schuler et al., 2002). Sharing information with policy makers is an efficient political strategy for firms because government decisions are rarely decided without considering the consequences the decisions will have on corporations in the industry (Cherry, 2006; Lenway & Rehbein, 1991; Vining et al., 2005).

Once a corporation has determined lobbying is an effective non-market strategy, specific lobbying strategies must be determined. The primary questions for corporations to determine are who should be lobbied (Senate, House, regulatory agency and/or executive branch), and by what methods (in-house representative, outside lobbying firm or trade association) (Furlong & Kerwin, 2004; Hojnacki & Kimball, 1998; Holburn & Vanden Bergh, 2002; Lyon & Maxwell, 2004; Vining et al., 2005). Lobbyists are more likely to lobby established legislative allies rather than either undecided or opposing legislators, even if their allies are also the targets of opposing lobbyists (Hojnacki & Kimball, 1998). When interacting with legislators, the key strategy for lobbyists is not to change the legislators' minds, but rather to have time interacting with allies in order to order to help a corporation achieve its goals (Hall & Deardorff, 2006).

Little research examining a corporation's comprehensive lobbying strategy has been conducted (Vining et al., 2005). This lack of comprehensive research results in a limited understanding of the relative level of importance given to different lobbying activities. Firms need to use a variety of tactics to gain access to policy makers due to variances in firm size, governance contracts, industry concentration and political activism. Additional considerations when determining a lobbying strategy include determining the frequency of contact, level and type of lobbying, the arguments to be used, and the venue (local versus national) in which to lobby (Lyon & Maxwell, 2004; Vining et al., 2005). Lobbying groups enjoy a competitive advantage when they are formally organized, specialized and represent a large body of people (Hansen, 1991).

Firms may lobby either through their trade association or through firm specific efforts, or abstain from lobbying and rely on free-ridership (Vining et al., 2005). Firm-specific lobbying can be conducted through an in-firm lobbyists and/or lobbying firms (Nownes, 2006). The firm-specific approach is a rational choice when the fixed costs are low and the output is a private good. Large firms are likely to engage in firm-specific lobbying because they can bear the costs, and the benefits of receiving competitive advantage are worth the costs of lobbying (Vining et al., 2005). Disadvantages of firm-specific lobbying include the high cost of lobbying, potential for negative net gains if solo lobbying produces a decision that benefits the entire industry, and fact that some research suggests that group lobbying carries more weight.

In addition to firm-specific lobbying, corporations can also lobby through trade associations or other coalitions. Benefits of lobbying as a group are lower transaction costs, greater lobbying legitimacy, and fact that the industry (rather than a corporation) is the natural focal point for political action (Vining et al., 2005). Trade associations are considered the most stable and common form of lobbying entities. In order for industry-level lobbying to be effective, the corporations must have a common goal, which also reduces the lobbying costs.