Taking Stokes: Strategic Communication by Regulatory Agencies as a Form of Reputation Management

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Abstract

The chapter takes stock of studies that focus on regulatory agencies’ deliberate use of strategic communications as a form of reputation management, discussing the critiques that have recently surfaced and responding to them. To shed light on these issues, the chapter defines core concepts and reviews the major findings in this field, paying particular attention to regulatory agencies’ decisions concerning whether and how to communicate. It thereafter describes unanswered questions that can inspire and guide future research. Future agendas include, for example, the selection of audience segmentation strategies, and the management of competing and even contradictory communication for segmented audiences when agencies enjoy exclusive jurisdiction, in contrast to instances in which agencies share regulatory authority.

Keywords: bureaucratic reputation; regulatory agencies; strategic communication; audiences; prioritizing

Introduction

What is strategic communication? What does it mean for regulatory agencies to pursue strategic communication as a form of reputation management? How does this sustain, create, or destroy value, or affect the chances of pursuing particular opportunities? Over the last decade, the answers to these questions have become increasingly important for scholars and practitioners seeking to understand the creation, management, and role that bureaucratic reputation plays in the life of regulatory agencies. A substantial reason for this lies in the growing complexity of risk regulation, which nowadays includes a wider array of actors, institutions, processes, and interests, in the contexts of knowledge society and blame culture that have increased agencies’ concerns with reputational risk. This change is also accompanied by audience fragmentation, the proliferation of information channels and new technologies, and the shifting economic foundations of the news business, which have led to a situation in which dominant news narratives are increasingly advanced by those with power (McChesney and Pickard 2017). Yet, despite growing interest in the reputation and legitimacy of regulatory agencies, only a handful of studies have explored these questions.
This chapter takes stock of studies that focus on regulatory agencies’ deliberate use of strategic communications as a form of reputation management, discussing the critiques that have recently surfaced and responding to them. To bring clarity to these issues, the chapter begins by defining the core concepts and briefly reviewing the major findings, paying particular attention to regulatory agencies’ decisions regarding whether and how to communicate. It thereafter describes unanswered questions that can inspire and guide future research.

Core Concepts

A growing literature focuses on the concept of bureaucratic reputation, which is defined as “a set of symbolic beliefs about the unique or separable capacities, roles, and obligations of an organization, where these beliefs are embedded in audience networks” (Carpenter 2010a, p. 45). This definition centers on the premises that an agency’s behavior is explained by (i) interactions with the broader environment, rather than merely via the relationship with political superiors (Maor 2015), and (ii) the evaluation of the organization’s unique character and activities by multiple audiences (Carpenter 2010a). Evaluation of the organization’s unique character and activities is based on past experiences with, and attitudes to, observations and perceptions of, the organization’s ability to provide unique services capably. Reputation uniqueness, according to Carpenter (2001, p. 5), refers to agencies’ ability to demonstrate that they can create solutions (e.g., expertise, efficiency) and provide services (e.g., moral protection) that no other agency in the polity offers. Bureaucratic reputations derive from individuals’ perceptions, which aggregate into shared understandings among members of a particular audience or multiple ones. A bureaucratic reputation is therefore a property that is attached to a specific government agency, has an independent ontological basis
that audience members may share, and can be experienced, observed, measured, valued, and influenced (Fombrun 2012, p. 102). However, “[…] what audiences see is not the perfectly tuned or visible reality of the agency” (Carpenter and Krause 2012, p. 27). Rather, it is an image that embeds considerable uncertainty and ambiguity (Gioia, Schultz, and Corley 2000) regarding the agency’s performance, the expertise of its staff, its values, and the legality of its actions (Carpenter 2010a). “Complex public organizations are seen ‘through a glass but dimly’ by their manifold audiences” (Carpenter and Krause 2012, p. 27).

Understanding the behavior of a regulatory agency operating in multi-audience environment, requires a recognition of the key role of the mass media as the most important source of information for citizens about government performance (Arnold 2004). In reputational terms, the media provides: channels through which regulatory agencies signal their reputation uniqueness to their manifold audiences and observe the subsequent feedback from these and/or other audiences; informal forums for political accountability (Bovens 2007); and “audiences in their own right and [the] institutional intermediaries used by other audiences—and the agencies themselves—to make sense of agency performance” (Boon et al. 2019a, p. 173). The media also activates (and deactivates) accountability forums and induces (and suppresses) formal accountability processes (Jacobs and Schillemans 2016). In a saturated media environment, agencies identify, process, and prioritize the multiple (and potentially conflicting) expectations among various audiences concerning different dimensions of their reputations. They do so by more or less rationally choosing which dimension to stress vis-a-vis specific audiences. Maor (2015, p. 32) has referred to this process as prioritizing among the four dimensions of agency reputation, namely, the performative (does the agency do its job?), moral (does the agency protect the interests of its clients?), technical (does the
agency have the skills and capacity required?), and procedural (does the agency follow accepted rules and norms?). Prioritizing among the four dimensions is undertaken simultaneously by all actors in the reputation game (Maor 2020).

Because strong reputations are powerful assets for agencies and are, in fact, equivalent to agency coalition building (Carpenter 2001, p. 22), many incentives exist in order to protect them. “There are other things that bureaucracies protect and ‘maximize’, but for many agencies […] reputation protection serves as the simplest and most powerful dynamic governing their behavior” (Carpenter 2004, p. 54). Much of the political science research on reputation has therefore been motivated by the idea that “[…] when trying to account for a regulator’s behavior, look at the audience, and look at the threats” (Carpenter 2010b, p. 832; italics in original). Here, a reputational perspective argues that agency reputation-management strategies vary depending on the degree of reputational threats originating from the array of conflicting audience assessments concerning an agency’s outputs, processes, and behavior (Carpenter 2010a; Maor, Gilad and Ben-Nun Bloom 2013). Potential sources of these threats include a gap between an agency’s policy performance and reputation, weak organizational performance (e.g., a lack of coordination among the agency’s subunits), and changing audience expectations regarding the agency or the sector within which it operates.

The notion of reputational risk is therefore one of the cornerstones of this body of research (e.g., Carpenter 2001, 2002, 2004, 2010a; Carpenter and Krause 2012, 2015; Gilad and Yogev 2012; Krause and Douglas 2005; Krause and Corder 2007; Maor 2007, 2010, 2011; 2015; Moffitt 2010, 2014; Moynihan 2012; Whitford 2002, 2003; Wæraas and Maor 2015; Fink and Ruffing 2020; Bartelli and Busuioc 2020; Demortain and Borraz 2021; Bustos Pérez 2021). Recent findings have indeed related the
ramifications of reputational concerns on the way agencies approve some drugs more quickly than others (Carpenter 2002) and allocate resources across tasks (Gilad 2012), on organizational task prioritization (Gilad 2015), endogenous construction of jurisdictions (Maor 2010), the observability of decisions and errors (Maor 2011), the duration of enforcement decisions (Maor and Sulitzeanu-Kenan 2013), the agency’s policy, regulatory, and scientific outputs (Krause and Douglas 2005; Maor and Sulitzeanu-Kenan 2015; Rimkuté 2018), inter-agency cooperation behavior (Busuioc 2016), regulatory enforcement (Etienne 2015; Gilad and Yogev 2012), the provision of public advice (Moffitt 2010, 2014), and accountability relations and behavior (Busuioc and Lodge 2016, 2017; Christensen and Lodge 2018).

A few studies, which are at the heart of this chapter, have also demonstrated the extent and ways in which regulatory agencies manage their reputations through the strategic use of communication (e.g., Abolafia and Hatmaker 2013; Busuioc and Rimkuté 2020a; Gilad, Maor, and Ben-Nun Bloom 2015; Maor, Gilad, and Ben-Nun Bloom 2013; Moschella and Pinto 2019; Schanin 2015). In addition, reputation-based accounts have been used to explain how reputation and blame avoidance might deteriorate network performance (Moynihan 2012), and how agencies protect their reputation in times of crisis (Carpenter 2010b; Christensen and Laegreid 2015; Bækkeskov 2017; Bach et al. 2019; Moschella and Pinto 2019). The theory’s assumptions have been tested with regard to agencies in the U.S. (Carpenter 2010a, 2010b; Maor 2010, 2011; Maor and Sulitzeanu-Kenan 2013; Moffitt 2010, 2014; Moschella and Pinto 2019; Abolafia and Hatmaker 2013), Australia, New Zealand and the province of British Columbia, Canada (Maor and Sulitzeanu-Kenan 2015; Maor 2007), Israel (Gilad, Maor, and Ben-Nun Bloom 2015; Schanin 2015; Gilad, Alon-Barkat, and Braverman 2016; Maor, Gilad, and Ben-Nun Bloom 2013), Ireland
(O’Dwyer 2015), Germany, Belgium, Denmark, and Norway (Verhoest, Rommel, and Boon 2015; Bach et al. 2019; Boon et al. 2019b; Kollveit, Karlsen, and Askim 2019; Kolltveit 2019), Cyprus (Capelos et al. 2016), as well as the EU (Busuioc 2016; Busuioc and Rimkuté 2020a; 2020b; Rimkuté 2018, 2020; van der Veer and Haverland 2018).

In addition, attempts to develop standardized measures of bureaucratic reputation and to gauge bureaucratic reputation in the eyes of citizens were undertaken in the context of US federal agencies (Lee and Van Ryzin 2019, 2020) and EU regulators (Overman, Busuioc, and Wood 2020). Studies have also found that reputational considerations influence decision-making within regulatory agencies (Bach 2015) and that reputational signals affect the response of employees (Gilad, Ben-Nun Bloom, and Aassouline 2018). The bureaucratic reputation approach therefore brings to the fore assessments by multiple audiences concerning agencies’ past behavior as well as the way agencies communicate this behavior; the perception, processing, and prioritizing of this information by reputation-sensitive agencies according to the degree of reputational threats they pose; and the response of these agencies to such reputational threats. We now turn our attention to key findings regarding these responses in the media arena.

**Research Findings**

If there is an overarching thread linking research in this area, it is comprised of the notions that a reputation-sensitive agency hears, sees, and feels the public; that in some functional areas the agency feels comfortable because it possesses a strong reputation, whereas in others it does not; and that in its response to reputational threats, an agency’s external communication can broadly assume many forms. By describing
communication of a reputation-sensitive agency as strategic, attention is centered on deliberate strategies that seek to shape an agency’s reputation in different situations and contexts, with a role for choice about the organization, planning, initiation, maintenance, and termination of the agency’s communication activities (for alternative definitions and approaches, see Fredriksson and Pallas 2016, p. 154; Whittington and Yakis-Douglas 2012, p. 404; Hallahan et al. 2007, 7; Heide et al. 2018). Strategic communication activities by regulatory agencies range from strategic silence (Maor 2016a) to regulatory talk. The former is a passive blame-avoidance strategy (Hood 2011; see also Hinterleitner and Sager 2015, 2017, 2019) intended to avoid attention. However, its occurrence should be carefully gauged because agencies may be subject to political pressures to keep silent. Regulatory talk ranges from an active blame-avoidance strategy (Hood et al. 2009), by engaging in problem denial, problem admission, and responsibility denial, or admission, to a deliberate credit-claiming strategy (Hood 2011; Highhouse, Brooks, and Gregarus 2009; Neu, Warsame, and Pedwell 1998) that is intended to communicate favorable information about the agency’s activities and outputs (Gilad, Alon-Barkat, and Braverman 2016, p. 373).

Focusing on the Israeli banking regulator’s responses to public expressions of opinion, research on strategic silence has established that a regulatory agency tends to keep silent on issues regarding which it generally enjoys a strong reputation, and on issues that lie outside its distinct jurisdiction, while responding to opinions about core functional areas with regards to which its reputation is weaker and areas wherein its reputation is still evolving (Maor, Gilad and Ben-Nun Bloom 2013). These findings are important because they demonstrate how an organization’s assessment of the relative threat to its reputation influences its communicative strategy across functional areas. The choice between silence and talk emphasizes the agency’s attempt to actively
construct how multiple audiences, which may hold conflicting views and apply different assessment criteria, judge its performance. It also highlights the possibility that strategic silence may be employed in order to minimize the association of the regulatory agency with actual as well as potential reputational threats (Ehrmann and Fratzscher 2009; Heugens et al. 2004). Striking a fine balance between strategic silence and talk is a very complex task, as is the task of maintaining silence. It requires centralization of external communication, formulation of blackout guidelines, the creation of an incentive structure to enhance compliance with these guidelines, and the establishment of enforcement mechanisms to ensure that none of the organization’s employees break these guidelines and, if required, to penalize deviant behavior (Maor 2016a). Alternatively, strategic silence may be accomplished through transformational leadership behaviors where leaders succeed in aligning employees’ goals with the vision and mission of the agency.

The aforementioned variations in how agencies manage the expectations of their multifaceted audiences across functional areas is also evidenced by Moschella and Pinto’s (2019) study, which demonstrates that when concerns about policy reversibility are higher, the Federal Reserve is more likely to focus on the issues of credit easing and systemic financial regulation, where its reputation is weak or not yet established. In contrast, issues related to economic activity and inflation, regarding both of which the Federal Reserve’s reputation is established, are likely to become less salient. A similar pattern of issue attention has been observed when the Federal Reserve addressed political audiences compared to other audiences.

In an attempt to further uncover the variation in how agencies manage the expectations of multiple audiences, Busuioc and Lodge (2017, p. 95) distinguished between ‘core’ and ‘noncore’ reputational concerns, and argued that the ways agencies
respond to external criticism are shaped by the agency’s understanding of its core reputation and associated reputational threats. This distinction has been employed in an attempt to gauge how the communication of different aspects of organizational reputation vary over time and across EU agencies (Busuioc and Rimkuté 2020a). A study of all EU agencies furthermore reveals that regulatory agencies utilize a more diverse set of reputational strategies by emphasizing the technical, procedural, and moral reputations more than non-regulatory agencies, whereas social-policy agencies foster their technical reputation more than economic-policy agencies (Rimkuté 2020).

Equally important is the question of regulatory talk, especially the determinants of this type of strategic communication. Based on the Israeli banking regulator’s nuanced responses to public expressions of opinion between 1996 and 2012, Gilad, Maor, and Ben-Nun Bloom (2015) found that a regulatory agency has a greater propensity to acknowledge problems, yet mostly shifts blame to others when faced with claims that regulation is overly lenient (namely, underregulation), and to deny allegations that regulation is excessive. These findings highlight the agency’s differential response (i.e., a choice between types of responses) to particular reputational threats.

Between strategic silence and talk, one can detect strategic communication practices associated with fine-tuning regulatory signals. Fine-tuning is defined as “the strategic practices involved in signal construction intended to shape stakeholders’ estimation of any agency’s ability and intentions” (Abolafia and Hatmaker 2013, p. 533). It is therefore a means to actively seek legitimacy (Suchman 1995, p. 574) and reflects “a source of deep engagement for the signaler” (Abolafia and Hatmaker 2013, p. 535). Such signals—the clarity of which varies strategically from transparency to opacity according to political and economic circumstances—were used by the Federal
Reserve to influence immediate stakeholder behavior as well as to maintain a longer-term agency reputation. Abolafia and Hatmaker (2013) identify two fine-tuning practices, *expectation modulation* and *credibility filtering*. The former practice is employed by the agency in order to shape audiences’ expectations about the agency’s actions; the latter in an attempt to screen the signal for positive reputational effects. Both practices are part of the toolkit used by the signalers and are grounded in an agency’s sense of its image and identity (Abolafia and Hatmaker 2013).

These studies not only demonstrate the interactive nature of the relations between the agency and the public but also that the agency is not acting in an ad hoc manner. Rather, the agency carefully designs its interaction with regulatees and the public at large, shaping the ‘common ground’ that it shares with its critics. Although it remains attuned to the public’s feelings and intuitions, it selectively or differentially responds in a way that maintains its credibility.

**Criticisms and Response**

Scholars have claimed that the ways in which regulatory agencies prioritize multiple (and potentially conflicting) expectations among audiences regarding different dimensions of their reputations may be driven to a certain extent by the distinctive logic of the media (Boon et al. 2019a, p. 172). This criticism draws on the burgeoning literature concerning media logic (e.g., Altheide 2004), raising the possibility that the way the media works might interfere with the reputation signals agencies seek to communicate (Boon et al. 2019a; Boon et al. 2019b). Another challenge centers on the notion that (strategic) communication provides solely short-term, symbolic solutions to emerging threats (Grunig 1993; see also Grunig 2014; Picci 2015, p. 49; Schanin 2015).

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1 This section relies heavily on Maor (2020).
Maor (2020) has responded to Boon et al.’s (2019a) criticism by arguing that there are clear-cut findings demonstrating that agencies design different communication strategies in line with functional areas which differ in terms of the strength of their reputations (Maor et al. 2013; Moschella and Pinto 2019); the content of allegations (Gilad et al. 2015); the agency’s understanding of its core reputation and associated reputational threats over time and across (EU) agencies (Busuioc and Rimkutė 2020b); the agencies’ wish to manage uncertainties in their operating environment, and not only in response to specific allegations (Moschella and Pinto 2019); and their wish to influence immediate stakeholder behavior in addition to maintaining longer-term agency reputation (Abolafia and Hatmaker 2013). These findings clearly indicate that (i) the agencies concerned are deeply engaged in crafting their communication, and (ii) actual ‘prioritizing’ among dimensions of an agency’s reputation indeed takes place, whether intentionally or not, and whether the media try to interfere with the formulation and execution strategic communication or not.

In response to the second line of criticism, Maor (2020) has argued that some aspects of strategic communication may indeed be episodic in nature, trying to persuade audiences that specific regulatory moves are valuable, yet others may reflect a long-term effort to maintain and enhance an agency’s reputation. Furthermore, “[r]eputation can shape the behavior of organizational insiders as well as external stakeholders […]. It can influence employees’ sense of self and outsiders’ expectations of the organization […]. These two aspects, the short-term and the longer-term effects of signaling, can appear separately, but are often reinforcing” (Abolafia and Hatmaker 2013, p. 535). In addition, attention should be directed at the characteristic of the message that is communicated. In this respect, strategic communication may involve *policy overreaction rhetoric*, which refers to “arguments that policymakers employ to reach
and persuade the target populations of their ‘all or nothing’ policy commitment to achieve their policy goal, no matter what the costs are or by any means necessary” (Maor 2021, p. 188). Strategic communication may therefore involve messages primarily aimed at sending uncompromising signals regarding an agency’s intentions, which are therefore likely to entail longer-term implications. A case in point is the statement made by Mario Draghi (2012) while the Eurozone was in the throes of crisis: “[W]ithin our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough.” Agencies’ use of overreaction and underreaction rhetoric (Maor 2019, 2021), alongside other communication strategies, highlights their ability to go beyond taken-for-granted practices and symbolic constructions that limit their ability to follow a single end-means rationality.

Unanswered Questions

Future studies addressing the communicative dynamics of regulatory agencies may be extended to a comparison of a number of regulators operating within the same nation-state, with overall stronger and weaker reputations. It can be further applied across national settings or over time in order to analyze how variance in external circumstances (e.g., attitudes toward regulation) shapes regulators’ communication strategies. And it can be further developed by analyzing the micro-foundations of reputation management. This task can be undertaken by gauging how and to what extent the reputation of the agency head shapes the agency’s communication strategies (Maor 2016b). This research may be complemented by an analysis of the interaction between regulators’ communication and their actual action in response to external signals.

The decision regarding whether or not to communicate is accompanied by another: how this communication should be conducted (Whittington and Yakis-
Douglas 2012, p. 404). In the future, scholars should examine the manner in which reputation-sensitive agencies can achieve an equilibrium, between substantive and symbolic communication (e.g., Ashforth and Gibbs 1990); the ramifications of calculations concerning completeness, coloring, and the benefit of substantive communication (e.g., Douglas and Meijer 2016; Grimmelikhuijsen 2012); how agencies resolve issues concerning the timing, medium, frequency, content, language, and target audiences of their communications; and the justifications for alterations in communication strategy.

Research should also assess which audience segmentation strategies are selected by regulators in various times and in a range of policy sectors, and how the regulators suit regulatory messages to specific target populations. In particular, studies should highlight the employment of competing or opposing communications for divided audiences by agencies that possess exclusive jurisdiction, in contrast to instances in which agencies share regulatory authority or at least some portion thereof. The involvement of more than one agency entails a review of other agencies’ audiences and inter-agency relations, and these factors should likewise be examined.

Among further issues of vital significance in cultivating a theoretical and empirical understanding of audience segmentation strategies, scholars should examine whether regulators design emotion-loaded messages for groups that are chosen according to psychological tendencies, as opposed to groups selected by behavioral profiles and socio-demographic attributes. Likewise, how can regulators balance strategic communication for groups that are chosen according to cross-sectional audience segmentation strategies in contrast to situational strategies that are centered on a particular problem or issue? How can regulators mold strategic communications for audience groups that react to a certain problem with feelings of hesitation, as
opposed to doubt, anxiety, or panic? How can regulators who seek to change the behavior of audience group members appeal to their practices, attitudes, motivations, and perceptions? Here, it may be important to understand how agency audiences pass reputational judgments (Salomonsen et al. 2021).

Examining how strategic communication is conducted may stimulate interest in the continuity and innovation in regulatory agencies’ narratives; the institutionalization of strategic communication practices (e.g., Heide et al. 2018); variations in how discursive and other strategies are used to communicate and interpret meaning, together with the derived public policy implications; the significant role played by context in strategic communication (e.g., time; crisis) and in determining the range of strategic communication employed; and the relevancy of policy overreaction rhetoric in efforts to uphold a reputation. The examination of these issues should emphasize how the decisions made effect agencies’ reputations and how audiences consequently allocate the resources at their disposal.
References


