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## Social Barriers to Entry: Liquefied Natural Gas Import Terminals in the US from 2000 to 2013

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A thesis submitted in partial fulfillment of the requirements for the Doctor of Philosophy degree in Business

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## Abstract

Management scholars recognize the uncertainties and challenges during the market entry process that can impede operational startup. However, very little empirical research exists to fully understand these challenges and explain firm responses. Even less attention has been paid to the threats from non-market actors and the countering strategies employed by firms. Hence, this thesis explores firm reactions to community contestation, as a form of social barrier to entry that can prevent the firm from exploiting market opportunities. Specifically, I consider the strategic implications of firms' rhetorical responses to community contestation during the market entry process.

For this thesis, U.S. liquefied natural gas (LNG) industry (2000–2013) is an appropriate context because only 26 out of the 59 proposed LNG import terminals could even get to the regulatory approval stage. Regulatory success, defined as the gain of regulatory approval in a relatively short amount of time compared to other competing proposals, was a necessary precursor for achieving operational startup and implementing the market entry strategy. The regulatory success of many proposals was threatened by extensive negative media attention due to sustained community contestation, forcing the Federal regulatory agencies to carry out an extensive and time-consuming evaluation in order to project an image of fairness. Firms had to employ rhetorical strategies to publicly counter the community contestation but were not equally successful.

Using fuzzy-set Qualitative Comparative Analysis (fsQCA), I identify four rhetorical strategies associated with the regulatory success. I find that a demonstrable community need enables an avoidance rhetorical strategy whereby firms try to sail through the regulatory process without catching public attention, especially when the design disadvantages of their proposals risk being exposed. When community need is not demonstrable but contestation levels are high, firms implement counterattack rhetorical strategies to undermine any community contestation, at times directly targeting the firm's detractors, and not just the issues they raised. By conceiving of community contestation

as a social barrier to entry and showing how it can be mitigated using rhetorical strategies, my study contributes to the literatures on rhetoric, firm entry, and non-market strategies at the community level.

## Keywords

Community Contestation; Rhetoric; Non-Market Strategies; Firm Entry; Regulatory Success; fsQCA; Social Barriers to Entry; Liquefied Natural Gas

## Acknowledgments

Joining a doctoral program was not just a career choice but really a life choice for me. I look back at the point in time when I made this entry decision to the current moment when I am about to complete my doctoral life and enter a faculty life. It has been a tough and tumultuous entry process into the academic world but I will not trade it for anything, especially because of the people who made it possible for me to undertake this perilous journey.

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# Chapter 1 - Introduction

## 1 Introduction

Before 2000, there was just one operational liquefied natural gas (LNG) import terminal in the United States mainland. Renewed interests in early 2000s led to the emergence of proposals for new terminals. By the end of 2013, there were 59 different proposals but only 26 (less than half) of these proposed terminals could even get regulatory approval for start of construction. Many of these terminals faced sustained community opposition that created impediments for the firms during the regulatory approval process and thus became a form of social barrier to entry. Community contestation, as a form of social barrier to entry, highlights the difficulties firms face between market entry decisions and operational startup (Sine, R. J. David, & Mitsuhashi, 2007). However, much of the strategy literature has focused on entry decisions in terms of timing and mode, and empirical research has largely ignored the market entry process (Zachary, Gianiodis, Payne, & Markman, 2015).

Communities become relevant in the market entry process because oftentimes firms enter a market by establishing a foothold (Upson, Ketchen, Connelly, & Ranft, 2012) that is often geographically determined (Hambrick & Fredrickson, 2005). A great deal of due diligence is undertaken in order to ascertain the economic viability of the particular location, especially when it is an energy facility such as an LNG terminal. However, as Oliver (1997: 697) notes, “a firm’s sustainable advantage depends on its ability to manage the institutional context of its resource decisions.”. When the resource decision is the selection of a location the surrounding community becomes an important proximal institutional context. Such communities become even more salient when community members publicly oppose a proposed facility in their community (Yue, Rao, & Ingram, 2013). The success of a market strategy then becomes contingent on non-market tactics (Holburn & Vanden Bergh, 2014), which are intended to influence social actors beyond economic exchanges (Doh, Lawton, & Rajwani, 2012).

Extant literature on community opposition toward a firm's entry has focused on the community and its ability to organize opposition in the form of collective action (McAdam & Boudet, 2012; Wright & Boudet, 2012) or in the form of a new venture emerging from within the community (Greve, Pozner, & Rao, 2006; Marquis & Lounsbury, 2007). Very little is known about what the firm can do except exit at the first sign of trouble (Ingram, Yue, & Rao, 2010). On the other hand, substantial evidence from research on social contestation in more macro settings, such as industry, national, and transnational contexts, indicates the potential utility of a firm's rhetorical strategy (Desai, 2011; Elsbach & Sutton, 1992; Harmon, Green, & Goodnight, 2015; McDonnell & King, 2013; Zavyalova, Pfarrer, Regeer, & Shapiro, 2012). Social contestation involves "multiple social actors competing for influence over the rules, institutions, norms, and policies that structure markets and economic relations" (Levy & Egan, 2003: 824), and so a firm's effective use of rhetoric becomes necessary to further its own agenda and limit the negative influence of others.

Moral, ethical, and environmental issues, and societal appropriateness often shape contestation in such macro-level social settings (Galvin, Ventresca, & Hudson, 2004; Hoffman, 1999). Apart from these macro issues, opposition at a local community level is typically rooted in daily existential issues, often described as NIMBY (not-in-my-backyard) issues (Schively, 2007). At the community level, firms have an opportunity to promote the visible and tangible benefits of entry, such as job creation and economic development. By addressing the economic interests of the community, the firm might even succeed in avoiding a polarizing debate that is framed as the firm's economic interests versus the community's environmental interests (Hoffman & Ventresca, 1999). The implication is that firms can potentially implement rhetorical strategies to address community contestation (social contestation at a community level). However, the kind of impact these rhetorical strategies have on entry outcomes or the very presence of a direct impact is not clearly established in extant literature. Hence, this dissertation seeks to primarily answer the research question: *How do firms tailor their rhetorical strategies to community-level market entry conditions, and how do these strategies affect entry outcomes?*

Building on extant literature, I examine the types of rhetoric available to firms facing social contestation. Firms can use either a *persuasive rhetoric* to focus attention toward the *positive* attributes of the firm (McDonnell & King, 2013) or a *dissuasive rhetoric* that directly addresses the source of the contestation by providing counterarguments to the *issues* (Lamin & Zaheer, 2012). Countering issues is a necessity to dissuade the social contestation from coalescing but need not be the only form of dissuasion. Often, those deemed as having “a *voice* in determining institutional norms” (emphasis added) become the sole participants in the evaluation process (Hoffman, 1999: 364). Further, schisms between the proponents and opponents of a particular issue may be so large that they might start “talking past each other” (Hoffman, 2011: 9) and “demonizing” each other (page 3). This opens up the possibility for a second type of dissuasive rhetoric, largely undertheorized in prior research, which, instead of countering the issue, targets the *detractors* who are raising their *voices*. For instance, Uber founder and CEO, Travis Kalanick, claimed that the California Public Utilities Commission “doesn’t like technology, environmental progress, or anything that might make California a better place to live”<sup>1</sup>. Even though Uber was seeking market entry into California, it still questioned whether the CPUC was a “legitimate judge” in the evaluation process (Lamont 2012: 205)

These three types of rhetoric comprise a repertoire of responses. Firms can also combine responses from the repertoire to design a *rhetorical strategy* in response to social contestation at the community level (community contestation), with the hope that it will favorably affect their entry outcomes. In order to investigate the combination of rhetorical types in a firm’s rhetorical strategy, I rely on the analytical capabilities of fuzzy-set Qualitative Comparative Analysis (fsQCA). This method has been recently introduced to the field of management to enable the exploration of complex relationships wherein variables do not produce their effects in isolation, but in combination with other

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<sup>1</sup> <http://www.pcworld.com/article/2682972/california-regulators-say-uber-lyft-and-sidecars-carpool-services-are-illegal.html>

variables (Fiss, 2011; Misangyi & Acharya, 2014; Ragin, 2008a). Unlike traditional econometric methods that can at best produce a three-way interaction while trying to control for other factors, fsQCA allows the researcher to identify configurations of multiple variables that jointly produce particular outcomes. In this thesis, fsQCA enables me to combine the ensemble of rhetorical types that firms choose as their rhetorical strategies and the contextual factors related to the sponsoring firms, the project and the community.

I look at the impact of these rhetorical strategies on one crucial entry outcome, namely, the *regulatory success* of firms' proposals, defined as the gain of regulatory approval in a relatively shorter duration as compared to competing proposals. The findings of this study, obtained from both qualitative and quantitative data of all LNG proposals that applied for U.S. regulatory approval between 2000 and 2013, show that distinct community, project, and firm characteristics are associated with different rhetorical strategies. I identify four main rhetorical strategies, two of which rely on combinations of dissuasive rhetorical tactics targeting the issue or the detractor. By contrast, persuasive rhetoric emphasizing positive attributes has very little utility in gaining regulatory success. Taken together, these results provide an integrative framework that explains which rhetorical strategies help firms deal with the social barrier to entry represented by community contestation as firms seek to establish a foothold in a new market. This integrative orientation of the thesis is reflected in my treatment of the research context, literature streams, methods, and findings.

Chapter 2 provides a detailed description of the LNG import terminal context that includes the physical attributes of the material (LNG), industry trends, regulatory aspects, and community contestation dynamics. Chapter 3, Literature Review, lays out the multiple research streams that form the basis of my integrative theorizing, including market entry (Markman & Waldron, 2014; Zachary et al., 2015); non-market strategies aimed at regulators during market entry (Henisz & Zelner, 2012; Hiatt & Park, 2012); social contestation (Durand & Vergne, 2015; Hoffman, 1999); community contestation (Wright & Boudet, 2012; Yue et al., 2013); and firms' rhetorical responses to



contestation (Desai, 2011; Lamin & Zaheer, 2012). Chapter 4 highlights the essence of fsQCA as a methodological orientation geared toward theoretical integration.

The Findings (Chapter 5) demonstrate the utility of this integrative orientation in the treatment of context, theory, and methods. While scholars are increasingly trying to establish the link between rhetoric and reality (Zbaracki, 1998) by considering specific tangible consequences of rhetoric (for example, Durand & Vergne, 2015), I am unaware of any other study that focuses on the utility of a firm's rhetorical strategy in gaining regulatory success during a market entry process. Further, I situate these rhetorical strategies within an intersection of contextual conditions that integrate the firm's market/non-market abilities, technical aspects of the project, and the community's perspective. My findings raise questions regarding the utility of persuasive rhetoric, which ironically is pervasive in extant literature as well as within the LNG import terminal context. I also provide theoretical foundations and extensive empirical evidence regarding the role of dissuasive rhetoric targeting a firm's detractor—a tactic that research has, thus far, only alluded to (see Elsbach, Sutton, & Principe, 1998; James & Wooten, 2006).

In Chapter 7, I extend this integrative research orientation by situating rhetoric within a broader typology of firm responses. This helps me extend my primary research question of this thesis (*how firms tailor their rhetorical strategies to community-level market entry conditions, and how do these strategies affect entry outcomes?*) to a more general research question that I consider as a guide post for my future work – *how do firms try to overcome community contestation in their efforts to succeed in their market entry process?* I conclude this thesis in Chapter 8 with an assessment of the insights I have gained so far and with excitement for the sights I will behold in the future.

## Chapter 2 - U.S. LNG Import Terminals, 2000–2013

### 2 U.S. LNG Import Terminals, 2000–2013

The context for this study is the set of 59 LNG import terminals proposals that emerged between 2000 and 2013 in the U.S. After the hesitant initial interest in LNG import terminals in the 1970s (when fewer than 10 terminals were proposed), not a single terminal was built nor was any new terminal proposed in the U.S. mainland after 1978. Of the four terminals built in the 1970s, three were mothballed by 1983, and the only remaining terminal received the occasional shipment once every year or two (Foss, 2007). Multiple factors contributed to the sudden decline of the industry but the most crucial factor was the 1978 passing of the Natural Gas Policy Act that lifted controls on all natural gas discovered in the U.S. after 1977. This policy decision, as well as pricing disagreements with Algeria—the sole supplier at that time—led to the sudden dearth of interest (Pelletreau, 1987). By early 2000, the situation had dramatically changed in the global LNG markets and in the U.S. (Jensen, 2003). LNG began to emerge as a solution to multiple problems that the U.S. energy sector was facing.

#### 2.1 Liquefied Natural Gas

Liquefied natural gas (LNG) is a supercooled state ( $-260^{\circ}\text{F}$ , or  $-162.2^{\circ}\text{C}$ ) of natural gas, which mainly contains methane along with small proportions of ethane, propane, and other heavier gases. It is a colorless, odorless, and non-toxic but flammable liquid. LNG's history can be traced back to Michael Faraday's attempts to liquefy various gases, and the first LNG plant dates back to 1912 at West Virginia.

LNG became important in the world energy stage because it occupies just  $1/600^{\text{th}}$  the volume of natural gas and hence is the preferred state for storage and container transportation of natural gas. A typical LNG value chain involves multiple stages: the extraction of natural gas from sources below earth's surface; the movement of this gas through pipeline to a liquefaction facility; the liquefaction of natural gas to LNG; the loading of LNG onto specialized shipping vessels at export terminals (normally built alongside the liquefaction facility); the shipping of LNG to the destination port; the

unloading of LNG at the destination import terminal; the regasification of LNG back to its natural state (the regasification facility is normally built as a part of the import terminal); and finally, the movement of the natural gas through the pipeline network at the destination (Foss, 2007).



**Figure 1: LNG Import Terminal**

Source: U.S Department of Transportation, Pipeline & Hazardous Materials Safety Administration, <https://primis.phmsa.dot.gov/comm/LNG.htm>

After natural gas enters the destination pipeline network, LNG can still be used in a peakshaving facility.<sup>2</sup> The flammable aspect of LNG became apparent in 1944 at a peakshaving facility in Cleveland, Ohio. Substandard construction quality, because of the redirection of stainless steel alloys toward war efforts, was attributed as the primary cause that led to the death of 128 people, including nearby residents. Since then, the technology to store and process LNG has continually improved, leading to a surge of interest in its use across the globe.

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<sup>2</sup> Peakshaving is a process where natural gas is stored in LNG form or in naturally occurring underground salt caverns. The reason for such a storage is to effectively meet local demands during peak demand periods.

## 2.2 Global Trends in the LNG Industry

One of the first successful LNG shipments occurred in 1959, when a converted World War II freighter, aptly called *The Methane Pioneer*, transported LNG from Lake Charles, Louisiana, USA, to Canvey Island, UK. Based on this success, the British Gas Council had planned to import LNG from Venezuela but changed its plans before the contracts were finalized because of natural gas discoveries in Libya and Algeria. An LNG shipment from Algeria to UK in 1964 was the first global commercial trade in LNG. After 1969, when Japan first began importing LNG, Asia began to dominate LNG imports. In 1990, Japan accounted for nearly 66% of the world imports (Energy Information Administration, 2003; Foss, 2007).

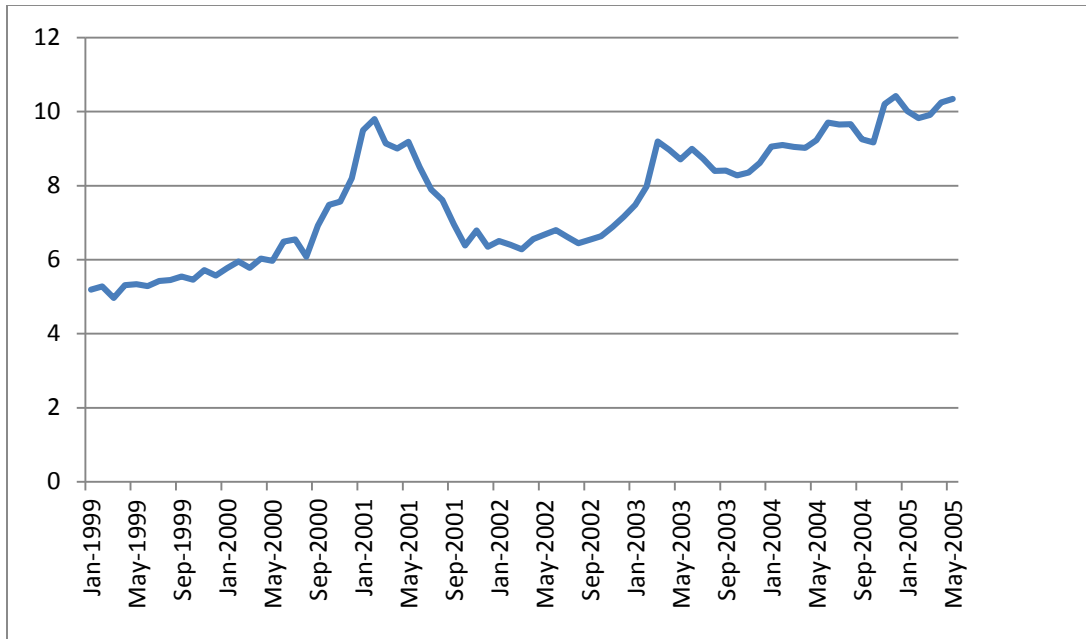
Because of the need to liquefy the natural gas, LNG trade is dependent on the economics of liquefaction projects and specialized transportation vessels (LNG tankers). Hence, LNG trade “shows very little family resemblance” to world oil markets or onshore natural gas markets (the exchange of natural gas over pipeline networks) (Jensen, 2004: 1). Countries that did not have significant domestic natural gas reserves typically imported from nearby producer countries. The supply contracts were long term because they provided the future cash-flow basis for financing the highly capital-intensive liquefaction projects, with very little use of derivatives for financing. Even the LNG tankers were built and operated with long-term contracts, or the exporters (and sometimes importers) directly owned the vessels. This need for long-term contracting or direct ownership of LNG vessels is driven mainly by the shipping costs that can be nearly 30% of the total operating costs as compared to 10% for oil (Energy Information Administration [EIA], 2003).

By early 2000, global LNG markets had undergone dramatic changes (Jensen, 2003). New liquefaction projects were underway across the globe, including in the Pacific Rim and Atlantic Rim countries, to make use of cheaper and more efficient technologies (EIA, 2003). LNG trade was becoming much more fluid with fewer long-term contracts with locked-up supply and pricing clauses (Jensen, 2004). New LNG tankers were being commissioned and were available through third parties not linked to the liquefying companies (Mazighi, 2003; World Gas Intelligence, 2006), which meant

that the global LNG market was heading toward greater liquidity and was no longer tightly linked to the Asian markets. It also meant that LNG terminals were no longer just an upstream integration. Many new players entered the field just to set up terminals with the hopes of using them as a sort of tolling gate (charging a fixed percentage fee for the regasification, converting the liquid to gas in order to send the gas through the pipeline network). Even traditional players with downstream gas reserves entered the market not knowing whether their liquefaction projects would be online in time. New ways of financing regasification projects (turning LNG back to natural gas in import terminals) were being implemented, allowing private investors and entrepreneurs to enter into the game (International Energy Agency, 2004). Multiple technological advancements were made for the safe transport, storage, and regasification of LNG (Greaker & Lund Sagen, 2008).

### 2.3 Re-emergence of LNG in the U.S.

LNG was meant to solve multiple problems that were starting to assume crisis mode in the United States during the early part of the 2000s. Following the Kyoto Protocol, even the non-signatory countries, such as the United States, were pressured to reduce their greenhouse-gas emissions (EIA, 1998), prompting power companies to move from coal to natural gas. However, the natural gas supply and pricing were very unstable, and the unreliable supply was seen as a major factor leading to the multiple blackouts in the California area (Gopal et al., 2003). In the Northeastern United States, harsh winters were increasing commercial and household heating needs and thereby driving up the price for natural gas (Pirog, 2004). While many industries relied on natural gas as a source of power, U.S. domestic production of natural gas was dwindling, and restrictions restrained the exploitation of new sources of natural gas, such as the Outer Continental Shelf (OCS) (Humphries, 2005).



**Figure 2: Natural Gas Prices in the United States, 1999–2005 (in U.S. dollars per thousand cubic feet)**

Source: US Energy Information Administration, “Natural Gas Prices,” accessed April 19, 2014, [http://www.eia.gov/dnav/ng/ng\\_pri\\_sum\\_a\\_epg0\\_pg1\\_dmcf\\_m.htm](http://www.eia.gov/dnav/ng/ng_pri_sum_a_epg0_pg1_dmcf_m.htm).

This assessment is reflected in the very first paragraph of the testimony of Federal Reserve Chairman Alan Greenspan before the Committee on Energy and Commerce, U.S. House of Representatives (June 10, 2003)<sup>3</sup>:

In recent months, in response to very tight supplies, prices of natural gas have increased sharply. Working gas in storage is currently at very low levels relative to its seasonal norm because of a colder than average winter and a seeming inability of increased gas well drilling to significantly augment net marketed production. Canada, our major source of imported natural gas, has had little room to expand shipments to the United States, and our limited capacity to import liquefied natural gas (LNG) effectively restricts our access to the world's abundant supplies of gas.

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<sup>3</sup> <http://www.federalreserve.gov/BoardDocs/testimony/2003/20030610/>

He goes on to conclude:

Creating a price-pressure safety valve through larger import capacity of LNG need not unduly expose us to potentially unstable sources of imports. There are still numerous unexploited sources of gas production in the United States. We have been struggling to reach an agreeable tradeoff between environmental and energy concerns for decades. I do not doubt we will continue to fine-tune our areas of consensus. But it is essential that our policies be consistent. For example, we cannot, on the one hand, encourage the use of environmentally desirable natural gas in this country while being conflicted on larger imports of LNG. Such contradictions are resolved only by debilitating spikes in price.

In this concluding remark, he hints at the increasing social contestation that LNG enterprises were facing. The re-emergence of the LNG industry faced multiple obstacles. In spite of the initial surge of interest in LNG imports in the 1970s, no new import terminals were proposed or built after 1978 for more than two decades, and only one terminal was operational after 1983, receiving the occasional shipment. In early 2000, new firms were entering an industry that had to discover how to align with vastly different global LNG market dynamics; how to regulate the industry; the social and environmental impacts of LNG terminals, especially in the light of the 9/11 events; and the economic impacts following sharply rising demands in the northeast and the California energy crisis. The industry faced not only uncertainties related to the factor markets (the supply side), the product markets (the demand side), and regulatory and policy arenas but also social and environmental uncertainties because of the social contestation.

## 2.4 Regulatory Process

Between the 1970s and 2000s, changes had occurred on the regulatory front as well. The Federal Energy Regulatory Commission (FERC) had replaced the Federal Power Commission (FPC) in 1978. The FERC differed from the FPC in its structure and mandate, with the FERC having the mandate to deregulate the natural gas market, leading to such innovations as the energy bank. So much had changed from a regulatory perspective since the 1970s that when the first new terminal was approved in 2003, it became a citation in itself, being referred to as the “Hackberry decision” in subsequent FERC decisions, various government publications, trade journals, and in legal

documents. The following are some excerpts from the FERC press release accompanying the Hackberry decision:

The Federal Energy Regulatory Commission today signaled it will set a different policy in regulating new liquified natural gas (LNG) projects where markets are competitive and other criteria are met. The approach is expected to remove economic and regulatory barriers to the development of onshore LNG import terminals....

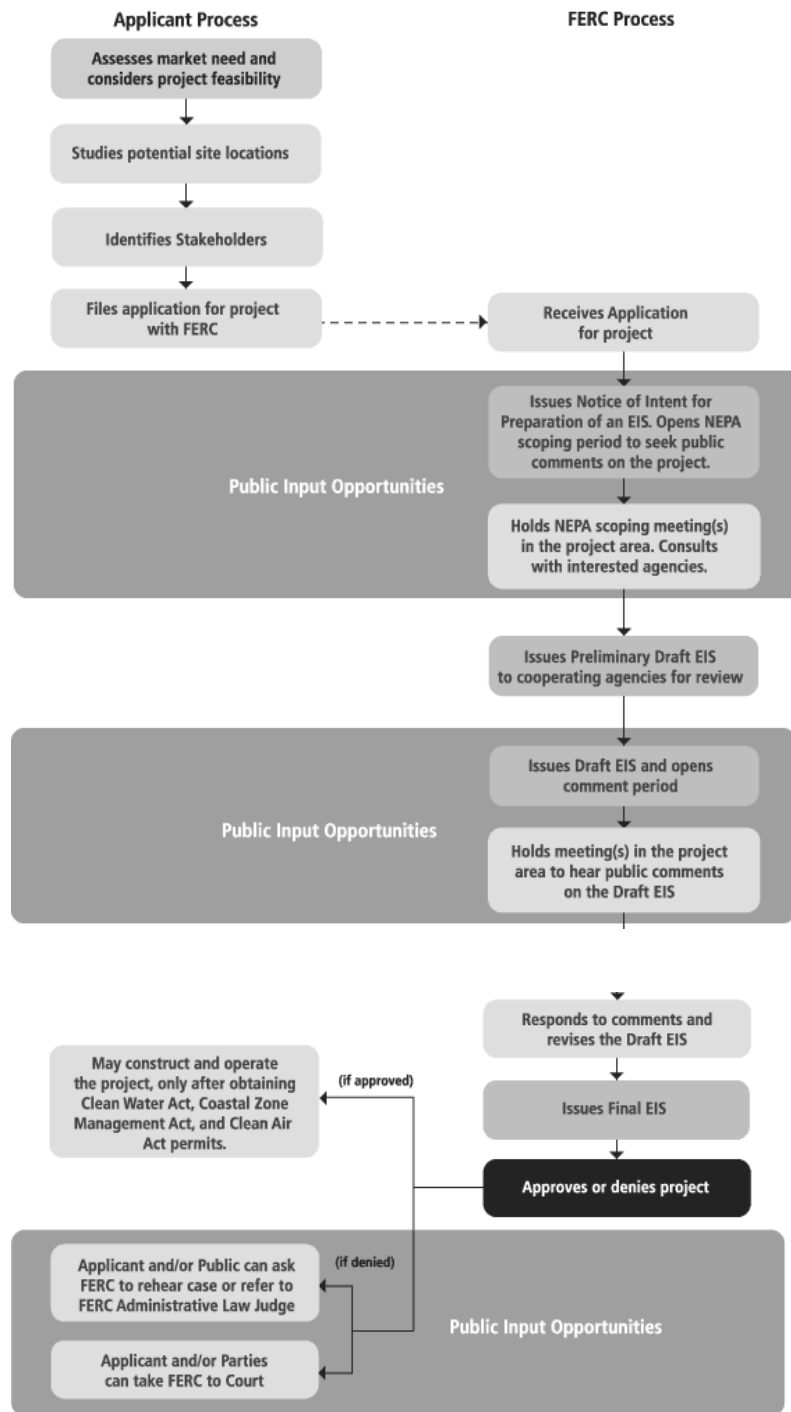
The Commission agreed to a fresh approach for new LNG terminal services proposed by Hackberry, which requested authority to construct and operate its project under Section 3 of the Natural Gas Act. Viewing the proposed plant as similar to a production facility, the Commission noted that sales of the natural gas from the LNG plant would be made in competition with other sales of natural gas in the Gulf Coast region in a deregulated competitive commodity market.

“The public interest is served through encouraging gas-on-gas competition by introducing new imported supplies of natural gas which will be accessible to all willing purchasers,” the Commission noted in its order.

This press release clearly sets out the FERC’s agenda to remove barriers and increase completion in the deregulated natural gas markets. While the Federal Energy Regulatory Authority (FERC) assumed charge of the LNG import terminal proposals, the de facto assumption of jurisdiction began to be challenged. The deepwater LNG terminals came under the purview of the Maritime Administration (MARAD) based on the Maritime Transportation Security Act of 2002. The Maritime approval process allowed the Governor of the proximate state to have veto powers over the process. Further, multiple states (including California and the New England states), and the federal senators and representatives from those states, challenged the de facto jurisdiction of the FERC. In the instance of the Sound Energy Solutions (SES) LNG terminal project in Long Beach, California, the California Public Utilities Commission (CPUC) wanted to gain jurisdiction over the project. The FERC fought the legal battle with the CPUC but also clarified this issue and asserted its jurisdiction through a press release that said: “We acknowledge the legitimate concerns of the CPUC regarding matters of safety and security and give our assurance that the evaluation of the proposed project will include thorough and rigorous review of these issues.”



It became apparent that the FERC and the MARAD (the two federal regulators) had to ensure that the evaluation process was perceived by the communities as rigorous and fair to prevent any further threats to their jurisdiction. The following figure illustrates the complexities involved in this process. It was necessary for the federal agencies to be continually perceived as being fair to all stakeholders throughout the process so that their own legitimacy would not be threatened. For instance, when the FERC made a site visit for the proposed Quoddy Bay LNG terminal, Linda Godfrey, a community activist, commented: “My impression is that FERC is primarily interested in representing the developers and the industry, and the role that citizens have in this process is unconscionable in a democracy. There needs to be a group of people at the highest level at FERC that from ‘day one’ is asking what [these projects] mean to local people. We need a consumer advocate at the federal level. It is just not a level playing field.”



**Figure 3: Regulatory Process**

Source: Federal Energy Regulatory Commission, [www.ferc.gov](http://www.ferc.gov)

## 2.5 Contesting Communities

Anticipating the issues that would be raised was not easy. Many communities in the northeastern part of the U.S. opposed the terminals on the basis of mortal fear—that LNG terminals could become terrorist targets, following the events of 9/11. However, in the Gulf of Mexico, the primary concern was the impact on the fishery industry because of the seawater intake by the LNG terminals. Gumbo Alliance in the Gulf of Mexico started by responding to a report by the National Oceanic and Atmospheric Administration (NOAA) on the potential impact on fish eggs and larvae as a result of open-rack technology (the use of seawater to heat LNG). Gumbo Alliance soon became a powerful multi-organization coalition, including recreational and commercial fisheries, charter boat associations, and powerful nongovernmental organizations (NGOs) such as the Sierra Club and Mobile Baykeeper. For terminals proposed at an upstream location in a river, other issues took on prominence because of LNG tanker movement, such as the dredging of the riverbed and the impact on recreational boating. In other cases, the toxic emissions of both the terminals and the LNG tankers became an issue. In Maine, community opposition became intertwined with Native American rights. In many communities, the contesting community members—from Hollywood actor Pierce Brosnan to regular Joes—expressed their safety concerns because of the LNG terminal in their neighborhood and were often characterized as NIMBY protestors.



**Figure 4: Anti-LNG Protest Rally**

Source: Sierra Club, Oregon Chapter, <http://oregon2.sierraclub.org/chapter/stop-lng>

## Chapter 3 – Literature Review

### 3 Literature Review

#### 3.1 Market Entry

Firms can become accustomed to existing strategies and capabilities within a particular market that can become detrimental when the market conditions change (Siggelkow, 2001). So the ability to successfully enter new markets has important implications for a firm's growth and survival (Burgelman & Grove, 2007). On the other hand, firms cannot indiscriminately enter every new market without due diligence because of the uncertainties and costs associated. It is then not surprising that much of the empirical strategy research has focused on the specifics of entry timing and entry mode into new markets (Zachary et al., 2015). While entry timing and mode decisions are critical, they do not help in understanding the risks that firms need to manage between entry decision and operational startup (Sine et al., 2007). Firms might calculate their entry timing and entry mode to perfection but cannot fully predict the subsequent reactions from other market and non-market actors. Research on foothold-moves considers one such risk, in the form of threats from competing firms (Upson et al., 2012). Beyond competition from other market actors, very little is known about the threats posed by non-market actors that can potentially derail the firm's market entry strategy.

##### 3.1.1 Favorable Non-Market Actors

While the threats posed by non-market actors are still not fully understood, the opportunities provided by non-market actors during the entry process have been given considerable attention by organizational and management scholars in the recent past. One category of non-market actors that is extensively studied is social movement activists. Activists can enable an entire new form of organizing to emerge as illustrated by the influence of the Grange anti-corporate movement in the U.S. that led to emergence of cooperatives and mutuals (Schneiberg, King, & Smith, 2008). Activists can also create an entirely new market for economic exchange such as grass-fed meat and dairy products (Weber, Heinze, & DeSoucey, 2008), or a new industry such as for-profit waste recycling

can be created by recycling social movement (Lounsbury, Ventresca, & Hirsch, 2003), or an influx of new firms into a nascent industry such as wind energy (Sine & B. Lee, 2009).

The second category of non-market actors that has received extensive scholarly attention is the media. The media's role is not seen as creating a new organizational form or new markets or new industries but as being more of an influencer that can encourage the influx. For instance, Lee and Paruchuri (2008) show that firms enter emergent and uncertain markets based on the volume, tenor, source, and generalizability of media's associative rhetoric, which links easily comprehensible concepts with those relevant to the new market. In other cases, the media helps in "market sensemaking" (Kennedy, 2008: 272) that increases the comprehensibility of audiences such as customers to evaluate the firms that have already dared to enter an emerging market.

In this thesis, I consider the flip side of these favorable non-market conditions. I explore how firms deal with media's attention to activist contestation so as to contain any negative repercussions on the regulatory process.

## 3.2 Regulatory Process

In some instances, governmental and quasi-governmental institutions can become a direct source of non-market threats preventing firm entry (Delios & Henisz, 2003). Even when direct threats are not evident at first sight, oftentimes the regulatory process involves multiple stakeholders weighing in, leading to an arduous process for firms (Hiatt & Park, 2012). As the regulatory process progresses, the firm is involved in sharing information, conducting studies, and engaging with local community audiences. Throughout this process, the firm is forced to invest time and money, and to apply its social skills—"the ability to induce cooperation in others" (Fligstein, 2001: 105). These requirements can delay the firm's efforts to establish a foothold or thwart them altogether. In fact, in my setting, of the 59 proposals examined, 18 did not start the regulatory process, and only 26 eventually received approval, though at different speeds.

The threat (and cost) of failure is more pronounced for firms that face sustained social contestation. Convincing the regulator does not require simply filing the application and

following the rules. Although regulators often act under pressures from competing interest groups, their mission is to work in the public interest and improve social welfare (Laffont & Tirole, 1991). Hence, in contentious settings, firms must first establish public validity for their arguments so that they can then potentially utilize “institutional actors to put pressure on the regulators to rule in their favor” (Gurses & Ozcan, 2015: 1710). In the longer term, as Sine et al. (2007) indicate in their study of startups in the independent power sector, regulatory certification can confer benefits beyond a legal endorsement by introducing a legitimating effect beneficial to the broader sector. The case of the ridesharing app Uber, which sometimes operates in contested terrain, shows that the firm’s failure to mitigate contestation can prevent market entry (e.g., in Vancouver, Munich, or Las Vegas). So the eventual outcome and speed of the regulatory process is potentially influenced by the firm’s response to community contestation (social contestation at the community level).

### 3.3 Social Contestation

Social contestation (Galvin et al., 2004) is defined as the publicly visible negative evaluations of the impact of an enterprise’s practices on the broader society and the natural environment. Social contestation at macro-levels occurs when a broader set of actors, typically referred to as stakeholders or audiences, become involved in the evaluation of the “societal appropriateness” (Galvin et al., 2004: 57) of the industry and the participating firms. The very nature of the industry—the day-to-day functions and core operations of the firms in the industry—is evaluated against larger social values (Dowling & Pfeffer, 1975). In this sense, enterprises in socially contested industries are neither deviant nor exhibiting misconduct per se but are carrying out regular business operations that are being assessed in terms of their social worthiness (Patriotta, Gond, & Schultz, 2011). It also means that firms face this contestation not because of the specific characteristics of the firms themselves but because of their participation in the industry, and because of the intended and unintended consequences of their participation.

Scholars have considered various aspects of socially contested industries but mostly in mature industries, which are typically characterized by a large stable population of enterprises that have existed for a long period of time. Social contestation often involves

multiple issues but in mature industries while new issues emerge; they also get to converge over a long period of time. Emergence and convergence occur because stakeholders gain a better understanding of the socio-cultural impacts of certain practices such as use of sweatshops (e.g., Lamin & Zaheer, 2012); repeated events become the realization of worst-case scenarios and fears that can help focus stakeholder attention (e.g., railway accidents considered by Desai, 2011); deeply embedded moral and cultural evaluations of products and services that can translate into the stigmatization of all the firms in the industry (Hudson & Okhuysen, 2009; Vergne, 2012); and changing societal concerns such as environmental issues that shape the re-evaluation of firms in certain industries (Elsbach, 1994; Hoffman, 1999).

These perspectives have not considered contexts where contestation need not occur merely because various groups find inspiration from different existing institutions or “home domains” (Patriotta et al., 2011: 1830); contestation can also occur because of basic human needs and aspirations. As the LNG context of this thesis demonstrates, community contestation can be based on themes such as mortal fear (e.g., the threat of a terrorist attack on an LNG facility), living standards and aesthetics (often referred to, in pejorative sense, as NIMBY), recreation (LNG vessels interfering with recreational boating), and food sources (fish larvae being sucked into the regasification system).

### 3.4 Community Lens

My thesis highlights a critical departure from studies considering social contestation at more macro settings because of some unique characteristics of firm–community interactions. While the term *community* can refer to any form of social grouping, I use this term to specifically refer to residential communities—“geographically bounded social systems” (Freeman & Audia, 2006: 158). This duality of spatial and social dimensions of a residential community distinguishes it from other forms of social groupings and has important implications for organizational studies. Even well-understood organizational dynamics can be cast in a different light when studied in relation to a community (Greve & Rao, 2014; Marquis, Davis, & Glynn, 2013). Previous research has demonstrated how memories, experiences, and cultural resources that evolve over generations of community members can change our understanding of collective



identity (Howard-Grenville, Metzger, & Meyer, 2012), and affect strategic decisions such as downsizing (Greenwood, Díaz, Li, & Lorente, 2010) and firm founding (Greve & Rao, 2012).

Much of the organizational and management research on firm–community interactions can be categorized as the embedded perspective, where the firm is already a part of the community (spatially or socially, or both). I will first review this embedded perspective, and then introduce the NIMBY literature from sociology and urban studies where, prior to the entry, the firm is neither socially nor spatially part of the community.

### 3.4.1 Embedded Perspective

The “embedded” perspective seeks to answer the broader question “How does organizations’ embeddedness in social and cultural communities influence their behavior?” (Marquis, Lounsbury, & Greenwood, 2011: ix). This perspective has been extended for a wide range of phenomena. Marquis, Glynn, and Davis (2007: 925) theorize about the “isomorphic pressures” of the metropolitan areas surrounding a headquarters of a firm that influence its corporate social actions—“behaviors and practices that extend beyond immediate profit maximization goals and are intended to increase social benefits or mitigate social problems for constituencies external to the firm.” The puzzle of selective contagion of “bank runs” is explained by Greve and Kim (2014) as occurring because of the surrounding community’s cohesion and communication. Lee and Lounsbury (2015) extend institutional logics theory to explain that the local community logics can amplify or dampen the influence of broader field-level logics and so facilities in proenvironmental communities faced greater pressures to reduce toxic waste emissions than facilities in other communities.

This embedded perspective is not something new; if anything, it is a renewal of the core aspect of old institutionalism. In their summarization of the differences between “the old and new institutionalism,” DiMaggio and Powell (1991: 13) proposed that organizations were embedded in “local community” when it came to old institutionalism but were embedded in “field, sector, or society” when considered from new institutionalism perspective. Selznick’s (1949) classic on the Tennessee Valley Authority (TVA), which

was considered the rock bed of old institutionalism, was all about the community embeddedness perspective. The theoretical insights from the relationship between the TVA and its surrounding community were summarized as: “Authority’s grass-roots policy as doctrine and as action ... resulted in commitments which had restrictive consequences for the policy and behavior of the Authority itself” (p. 12). So, according to Selznick, the TVA’s “democratic planning” process that involved the active participation of the local community actually became a constraining factor for the TVA.

However, such “embedded” perspectives are premised on the firm already being a part of a community and do not shed light on how new industrial activities may be considered by the community as “the initial stage of an invasion” (McKenzie, 1924: 295) and hence can lead to social contestation from the community.

### 3.4.2 Community Contestation—NIMBY

One stream that has considered community opposition to new industrial activities is the so-called “NIMBY” research (not-in-my-backyard; see Schively, 2007). This stream of research, mainly in sociology, energy research, and urban studies, tries to explain why certain industrial activities are opposed by communities. Boudet and colleagues (McAdam & Boudet, 2012; Boudet, 2011; Wright & Boudet, 2012) have explored a subset of the LNG import terminals to advance our understanding of the socio-economic attributes of the communities that make some more inclined than others to mobilize opposition to these terminals. While Boudet and colleagues have explored how specific collective action events against LNG terminals emerge within the community, I complement their work by considering sustained community contestation over a longer period, which allows me to incorporate a firm’s rhetorical reactions to the sustained contestation and the impact of these rhetorical reactions on the regulatory success. Thus their end point—community contestation—becomes the starting point for my thesis.

Others have considered the role that project-related factors, such as facility design, play in inciting opposition (Devine-Wright, 2013; Grant, Trautner, Downey, & Thiebaud, 2010). Vasi, Walker, Johnson, and Tan (2015) consider the role played by the documentary *Gasland* in influencing anti-fracking mobilization by changing the nature of

public rhetoric. This research stream is dominated by research from the community's perspective but rarely considers possible firm reactions and their impact.

Even in instances where firm reactions are considered, they are essentially cast as inter-firm contestation where the entry of large corporations into a community can create a counter-movement of community members starting their own new ventures (Greve et al., 2006; Marquis & Lounsbury, 2007). Greve et al. (2006: 802) investigate how "low-power FM (LPFM) radio stations arose in response to the domination of radio by corporate chains". Marquis and Lounsbury (2007: 799) consider how "national banks' efforts to introduce a banking logic emphasizing efficiencies of geographic diversification triggered new forms of professional entrepreneurialism intended to preserve a community logic of banking" and thus led to founding of many new community banks.

To the best of my knowledge, the only research to consider firm responses to community contestation after firms propose entry into a community are studies by Ingram, Rao, and Yue in the retail industry (Ingram & Rao, 2004; Ingram et al., 2010; Yue et al., 2013). Ingram and Rao (2004) explore the contestation surrounding anti-chain-store legislations across various states in the U.S. where national chains competed against local independent stores in shaping the landscape; however, various other interest groups at both the local and national levels were also involved. Yue et al. (2013) consider the impact of protests against Walmart (as the first entrant) on the entry decision of Target (as the second entrant). Ingram et al. (2010) theorize that Walmart uses proposals for new stores as low-cost probes whereby it can assess community acceptability based on the resulting contestation. The subsequent firm reaction to the community contestation is the entry–exit decision, with Walmart exiting in most instances, except when demonstrable profit is probable. They also find that if Walmart does decide to open a store in spite of the protests, it is likely to accompany the store-opening announcement with charitable donations made with the purposes of restoring its image. This situation hints at, but does not explicitly consider, the potential for usage of persuasive tactics even before the store opens.

The entry–exit decision may be the primary consideration in industry settings such as radio stations (Greve et al., 2006), banks (Marquis & Lounsbury, 2007), and big-box retail stores (Ingram et al., 2010). However, clashes between firms and communities are more sustained when firms are location-constrained—that is, when firms propose new projects with no (or very few) alternative locations, due to the required complementarities between the project and specific geographical features (e.g., the need for a coastal location next to a river and an industrial harbor). While high regulatory costs with increased contestation may lead firms to seek alternative locations in industries such as retail (Ingram et al., 2010), this option rarely exists for energy and infrastructure projects because of various location constraints. By considering the LNG import terminal context, the present study seeks to complement these recent efforts by shifting the focus from the *community's response* (to firm entry) to the *firm's response* (to community contestation) and from community entry decision points to community entry processes. Thus, I extend this research stream by focusing on firms' rhetorical responses to sustained community contestation, and how they affect regulatory success, a crucial outcome in the entry process.

### 3.5 Rhetoric

The extensive examination of rhetoric in organizational studies has earned such monikers as the “rhetorical turn” (Green Jr. & Li, 2011: 1670) and “linguistic turn” (Kennedy, 2008: 270). Scholars have studied a wide range of phenomena related to rhetoric, including “changes in the discourse of globalization” (Fiss & Hirsch, 2005: 29); jurisdictional struggles involved in the emergence of new organizational forms (Suddaby & Greenwood, 2005); the interaction of rhetoric and reality in practice adoption, leading to distortions of both the original rhetoric and the emerging reality (Zbaracki, 1998); and third parties' responses to the diffusion of controversial practices (Briscoe & Murphy, 2012). My focus in this thesis is a particular organizational phenomenon—a *firm's rhetorical responses to community contestation (social contestation at the community level)*. These rhetorical responses are used by a firm in an effort to mitigate *perceived or real threats to its social acceptance*, stemming from public opposition by non-market actors in the community to the firm's activities.

### 3.5.1 Rhetorical Responses to Social Contestation

Rhetorical responses to social contestation can be broadly classified as persuasive or dissuasive responses. Persuasive responses are meant to persuade stakeholder attention away from the contestation and toward the positive attributes of the firm and its activities (Zavyalova et al., 2012). Unlike persuasive rhetorical responses, dissuasive rhetorical responses are meant to dissuade the persistence of social contestation by countering the contestation head-on. Much of extant literature has focused on dissuasive rhetorical responses that counter the issues embedded within the contestation (Desai, 2011; Elsbach, 1994; Lamin & Zaheer, 2012) but very little attention has been paid to countering the detractors directly by pointing out the detractor's negative attributes. I refer to the former as *negative topical claims* (i.e., claims directly targeting the issue) and to the latter as *negative personal claims* (i.e., claims directly targeting the detractor). Hereafter, for the sake of conciseness, I also use the term *positive claims* to encapsulate the essence of these persuasive responses.

See Appendix A for a summary of past research on these various types of rhetorical responses to social contestation. Out of the 14 works explored in Appendix A, 13 have considered negative topical claims, 11 have explored positive claims and only 3 have hinted at negative personal claims. The findings of these works relate to social contestation at higher levels (and not community contestation) and they do not directly address regulatory success, but by linking this stream of extant literature with community contestation and regulatory success (as a critical market entry outcome), I am able to develop novel theoretical insights.

#### 3.5.1.1 Positive claims

Firms entering novel social settings often overcome the critical challenge of establishing legitimacy (Aldrich & Fiol, 1994) through an rhetorical construction of socio-cultural acceptance (Khair & Wadhvani, 2010; Lounsbury & Glynn, 2001; Santos & Eisenhardt, 2009; Weber et al., 2008). In such contexts, to ensure a widespread socio-cultural acceptance, firms tend to highlight positive attributes and paint an optimistic picture of the future (Garud, Schildt, & Lant, 2014). Further, firms also use positive claims when

faced with contestation. For instance, Zavyalova et al. (2012) show that firms can deflect media attention by highlighting positive dimensions, even when doing so is merely a ceremonial gesture. In their study of reactions to consumer boycotts, McDonnell and King (2013) demonstrate how firms employ prosocial claims to emphasize the broader societal benefits of their activities. They argue that firms use prosocial claims with the belief that doing so will offset the negative attention of consumer boycotts, by emphasizing “the company’s positive features without giving credence to the boycotters’ grievances” (McDonnell & King, 2013: 391). Hence, for firms facing both a novel social setting and social contestation, positive claims can be used as a *persuasive response* to the contestation, thereby highlighting the positive attributes of the firm and its proposal to deflect attention from the claims of the opposition.

For instance, when BHP Billiton first proposed the Cabrillo LNG Terminal in 2003, Stephen Billiot, vice president of BHP Billiton LNG International, stated:

We understand California’s concern for its coastline and its communities [...] BHP Billiton’s Cabrillo Port provides a unique and environmentally friendly alternative to meeting the energy and environmental demands of California. Natural gas is a more efficient and cleaner burning fuel than coal or oil.

However, local opposition started mounting in the nearby Oxnard and Malibu areas. As a result of local residents’ widespread discontent, the city councils passed a resolution opposing the facility in 2005 but BHP’s CEO Chip Goodyear reiterated the positives:

We are in the leadership position in regard to the approval process and in an environment like that you are going to get the first round of flak. If you could open up another supply source into that market of clean energy, a natural gas supply source, that would do wonderful things for their energy diversity and price. California’s leaders recognize that and bringing in an alternative supply from a safe place like Australia is hard to beat.

### 3.5.1.2 Negative topical claims

Firms can also *dissuade* the persistence of social contestation by directly countering the issues underpinning the contestation. Hoffman (1999) provided compelling evidence from the chemicals industry to show how issues can act as a powerful attractor in configuring the interaction of firms and stakeholders. Specifically, issues can become the

backbone of social contestation by providing an impetus for a more sustained conflict between firms and communities. When there is sustained contestation, mass media attention increasingly focuses on the negative aspects of firms' core operations. The media play an important role in what Kennedy (2008) describes as "market sensemaking," a process by which the products and services become increasingly coherent as part of a shared understanding between the producers and the audiences. However, when media stories focus more on the negative aspects, then these negative elements become embedded in the shared understanding—a "collective vocabulary" of sorts (Fiss & Hirsch, 2005: 30)—and firms may then wish to change these perceptions by countering the damaging claims. In this context, using *negative topical claims* becomes an appealing tactic (Desai, 2011; Elsbach, 1994; Lamin & Zaheer, 2012).

Contestation against a firm's new proposal can occur on the basis of any issue, ranging from quality of life (e.g., potential visual pollution), to broader societal concerns (e.g., potential environmental pollution), or even mortal fear (e.g., potential terrorist attacks). For instance, the Weaver's Cove LNG terminal faced public and visible opposition from the city of Fall River, Massachusetts. In a public forum held in 2003, more than 200 people turned up to express their opposition. Among the issues raised were "potential safety risks, increased traffic, and a scarred coastline". As Alfred Lima, one of the local residents, put it: "In the aftermath of 9/11, it is not enough to say that LNG has a good track record." A few months later, Fall River's mayor sent a letter to Gordon Shearer, the CEO of the sponsoring firm, asking him to "recognize and acknowledge the significant community opposition to this project" and noting that they "are not wanted in this community at that site." The letter providing specific details of the issues, such as "the spot, just north of the Brightman Street Bridge, is in a congested, urban, residential neighborhood where the majority of citizens are opposed to the project" and accused that the "the company is going behind the city's back to speed up the permitting process." In response to these issues and accusations, Shearer stated:

Weaver's Cove respectfully declines your suggestion that we withdraw our application for authority to construct and operate an LNG facility now pending before the Federal Energy Regulatory Commission (FERC). ... The company is following the normal schedule set down by FERC for the

review and approval of similar projects.... the 73-acre plot that Weaver's Cove has optioned is in an industrially zoned area that is reserved for marine industrial use. Previously, the site served as a storage terminal for petroleum products far more flammable than LNG that were trucked throughout the region. In addition, prior contamination of the site restricts future uses of the land.

### 3.5.1.3 Negative personal claims

As the attacks from local residents, elected officials, and the mayor of Fall River intensified, the responses from Weaver's Cove began to include elements directly attacking the detractor, such as: "the mayor seeks an emotionally charged climate of fear . . . rather than a rational analysis based on sound technical and scientific principles and evidence." This response illustrates that redirecting attention only toward the positives (positive claims) or countering only the issues (negative topical claims) are not the sole tactics available to mitigate community contestation.

In novel social settings, future issues cannot be fully anticipated, and the eligible participants in the contestation arena are not fully known *ex ante*. So an indiscriminate use of negative topical claims might even backfire as the firm's proposal becomes more transparent and hence susceptible to further negative evaluation by new detractors (Briscoe & Murphy, 2012). Firms can then attempt to directly curtail the source of contestation by disqualifying specific external constituents from the contestation arena.

The theoretical possibility of *negative personal claims* was raised by Oliver (1991: 146) in her "typology of strategic responses to institutional pressures", where she considers attacks to be a form of defiance whereby organizations could "assault, belittle, or vehemently denounce institutionalized values and the *external constituents* that express them" (p. 157; emphasis added). However, subsequent empirical works have given little attention to this aspect, with two notable exceptions. Elsbach et al. (1998) considered intimidation as one of the two tactics aimed at preventing the escalation of patients' initial requests for an audit of hospital billing practices. And in a more recent study, James and Wooten (2006) examined plaintiff retaliation as one of two tactics used at a particular stage in the resolution of a discrimination lawsuit.



While these studies begin to flesh out Oliver's (1991) theoretical insight, they do not shed light on how *negative personal claims*, alone or in conjunction with other types of rhetoric, can affect organizational outcomes for firms dealing with social contestation. Besides, negative personal claims need not take the extreme form of intimidation or public defamation that these works have considered, but could also involve questioning the motives, capability, and role of certain community actors within the evaluation process. Such questioning could be used to undermine the community actors' position, belittle them, or downplay their importance within the process by accusing them of wrongdoing or creating misinformation. All these forms of negatively oriented claims that directly target community members are intended to either dissuade them from further participating in the contestation, or discredit them so that others will devalue their opinion and claims. Put simply, these claims "delimit the population of those entitled to take part in the struggle" (Bourdieu, 1993: 40).

In most social settings, who can and cannot participate in the contestation is mainly a reflection of "who has a voice in determining institutional norms" (Hoffman, 1999: 354). When these institutional norms are well understood, it is relatively easy to determine who can legitimately participate in the contestation (Patriotta et al., 2011). However, when firms enter a novel social setting, the institutional norms have not yet been negotiated or commonly accepted, making it unclear who the legitimate participants are. In this context, *negative personal claims* will take on strategic importance since they can influence who is considered to be part of the institutional arena.

### 3.5.2 Repertoire of Rhetorical Responses

Commenting on sustainable development (SD) in a globalized setting, Scherer, Palazzo and Seidl (2013:261) argue that "in the face of increasingly complex and heterogeneous SD-related demands, corporations that employ a paradox approach, enabling them to switch between or to employ simultaneously the three different legitimacy strategies, are likely to be most successful in preserving their legitimacy." This dilemma is also encountered by firms facing social contestation. While not necessarily paradoxical, firms still need to balance competing possibilities in deciding the rhetorical types to adopt in the face of social contestation.

When a firm counters the issues embedded within the contestation, it can potentially take the focus away from the benefits promoted by the firm and can give greater salience to the issues raised by hostile stakeholders. For example, Hoffman and Ocasio (2001) find that issues in the chemical industry escalated when the industry insiders (rather than outsiders) paid greater attention to certain critical events. Other events that had the potential for becoming a major source of contestation did not escalate when only industry outsiders paid attention. Countering potential issues that lack empirical credibility, because they have not yet occurred, can thus be counter-productive for the firm. On the other hand, not reacting to an intensifying contestation can draw attention of other critical entities such as venture capital firms, potential suppliers, and potential customers. Negative personal claims in such contexts becomes a proactive option that demonstrates the nascent enterprise's strategic intent as opposed to passive conformity (Oliver, 1991).

In the following, I explore how firms combine elements from the rhetorical repertoire described above (consisting of *positive claims*, *negative topical claims*, and *negative personal claims*) to implement rhetorical strategies in response to community contestation. Importantly, I also examine the impact of these rhetorical strategies on a proposal's regulatory success—a crucial outcome when attempting to establish a foothold in a new market.

## Chapter 4 - Methodology

### 4 Methodology

#### 4.1 Methodological Orientation

In this study, I seek to integrate a disparate body of extant knowledge and at the same time exploit the richness of the empirical context to produce novel theoretical insights. More specifically, I seek to understand the complementarities between three components of firms' rhetorical repertoire, and how various configurations of these components affect regulatory success. To “combine the empirical richness of the traditional case-study approach with the inferential possibilities of large-N statistical studies” (McAdam & Boudet, 2012: 25), and leverage both the qualitative and quantitative dimensions of the data, I opted for the fsQCA methodology (Ragin, 2008a). In spite of its recent advent into management and organizational scholarship, fsQCA has already resulted in rich theoretical insights (see, for example, Bell, Filatotchev, & Aguilera, 2013; Crilly, Zollo, & Hansen, 2012; Fiss, 2011; Garcia-Castro & Francoeur, 2014; Greckhamer, 2015; Misangyi & Acharya, 2014). Appendix B provides details of articles published using QCA in the management journals *Academy of Management Journal* (AMJ), *Strategic Management Journal* (SMJ), and *Journal of Management Studies* (JMS), and in the top sociological journals (*American Sociological Review* [ASR] and *American Journal of Sociology* [AJS]), where QCA has been much more prevalent.

FsQCA, as a form of a set-theoretical approach that allows for a systematic, comparative analysis of multiple cases, helps to identify the necessary and sufficient conditions for a specific outcome (Schneider & Wagemann, 2012)—in this study, *regulatory success*. A crucial motivation for using fsQCA is to investigate situations characterized by “conjunctural causation,”—that is, “where single conditions do not display their effect of their own, but only together with other conditions” (Schneider & Wagemann, 2012: 6). While necessary conditions are rarely found in the social sciences (a single cause is almost never sufficient to explain complex social phenomena), fsQCA often identifies sufficient conditions that illustrate empirically the notion of equifinality—the idea that

multiple, alternative paths can lead to the same outcome. In fsQCA, each such path is described as a configuration of conditions that must be present (or not) to obtain the outcome.

I use the term *condition* to avoid potential confusion but other scholars have used terms such as *measures* (Fiss, 2011), *attributes* (Greckhamer, 2015; Misangyi & Acharya, 2014), and *causal conditions* (Crilly et al., 2012; Ragin, 2008a). This varied usage often reflects the specific utility of fsQCA in these studies, with some scholars using it for hypothesis testing as an alternative to traditional regression-based methods, and others using it as a complementary post-hoc analysis subsequent to hypothesis testing using traditional regression. However, most of the research using fsQCA tends to use it as a quantitative evolution of a multi-case qualitative method. As such, even the notion of “causality” is very different from econometric methods and so the term *causal condition* has a very different meaning in fsQCA.

#### 4.1.1 Distinguishing fsQCA from Econometric Methods

For my thesis, fsQCA is well suited because of the three reasons that I highlight in the beginning of this section: a) the integration of a disparate body of literature; b) the complementarities among the three rhetoric types; and c) the ability to leverage both qualitative and quantitative dimensions. Subsequently, I also introduced the notion of conjectural causation and equifinality. Beyond these well-established reasoning for using fsQCA there are other less evident advantages. As Hodson and Roscigno (2004: 689) note, “QCA considers all observed combinations of causal factors and, with its comparative algorithmic logic, eliminates redundant and superfluous information.” In a sense, fsQCA helps establish order in an otherwise chaotic research context that social scientists often face. The LNG import terminal context provides a qualitatively rich environment to explore multiple potential theoretical implications but the flip side is that reality is complex and messy.

Messy reality doesn't fit well with the notion of causality that is at the heart of econometric methods, which forces researchers attempt to find scenarios that approximate the randomization of trials. Alternatively, researchers try to mitigate or

eliminate what may be seen as problematic aspects of research, such as omitted variables, selecting on the dependent variable, confounds, the omission of fixed effects, simultaneity, etc. (for a detailed treatment, see Antonakis, Bendahan, Jacquart, & Lalive, 2010). Instead of trying to control or locate instrument variables, fsQCA embraces many of the aspects that are scorned by econometric research. Ragin's (2008a: 6) vision for an alternate approach is one that "seeks a path that is not a compromise between quantitative and qualitative, but one that transcends many of their respective limitations." He further lays out the four contrasting positions between fsQCA and econometric methods: "set-theoretic versus correlational connections, calibration versus measurement, configurations of conditions versus 'independent' variables, and the analysis of causal complexity versus the analysis of net effects" (p. 6).

As an illustration, consider a bakery that bakes cakes and the outcome of interest is "good cakes." Now consider the extent of charring of the cake and sugar levels as the two conditions under consideration. Using this as a hypothetical example I next elaborate the three of the key differences mentioned above. I elaborate the calibration versus measurement in a subsequent subsection on Calibration of Conditions (4.3).

*Set-theoretic versus correlational connections:* "Charring" is a sufficient condition to determine a bad cake but low levels of charring do not imply good cakes. Correlational statistics will consider good cakes and bad cakes as two ends of the spectrum, and a significant negative correlation can potentially occur between charring and good cakes. So the prescription would then be to keep charring as low as possible. However, set-theoretical relationships are *asymmetrical*. All charred cakes are a subset of all bad cakes. How low or high the charring is determines only how bad the cake is. On the other hand, a complete absence of charring becomes a necessary condition for good cakes. In terms of a set-relationship, the set of cakes without any charring exactly overlaps with the set of good cakes. Alternatively, consider sugar levels and assume that higher sugar levels make the cake better but also increase the risk of charring the cake. If we consider the correlation between good cakes and sugar levels, we may find a low correlation because sugar levels might also be associated with charred cakes. However, if we consider a set-theoretic relationship, high sugar levels might well be a necessary condition for a good

cake but good cakes are only a subset of cakes with high sugar levels because even charred cakes can be a subset of high sugar levels. Thus, set-theoretical methods such as fsQCA consider the positives (good cakes) and negatives (bad cakes) as *asymmetrical* and treat them separately. Further, each case (a particular cake in my example) is treated as a member of a set related to a particular condition (good cake, sugar content, and charring). The relationship established is not one of correlation between these sets but a set-subset relationship. Thus good cakes and bad cakes can both be subsets of cakes with high sugar content, and charred cakes can be subsets of bad cakes. Notice that the outcome interest is good cake (or bad cake) but the relationship with the two causal conditions (sugar content and charring) is different.

*Calibration versus measurement:* As the above discussion illustrates, correlational statistics might misrepresent certain relationships (a high negative correlation between charring and good cakes) and hide others when they are relevant (no correlation between sugar level and good cakes). Hence, fsQCA employs a process of calibration that can incorporate a simple measurement but goes beyond just measurement. This process is discussed further in a subsequent sub-section on calibration (4.3).

*Configurations of conditions versus 'independent' variables:* Charring and sugar levels also demonstrate another difference in causal relationships between correlational statistics and set theory. Strictly speaking, sugar levels and charring are not independent so we cannot run a simple regression model where the goodness of the cake is the dependent variable and the extent of charring and sugar levels are independent variables. This is not a problem for set-theoretic relationships because it aims to capture a *configuration of conditions* that act upon each other to determine the outcome. In this illustration, when the outcome is a good cake, the complete absence of charring and higher levels of sugar combine to determine the outcome. This reflects a qualitative research mindset and, as Ragin (2008a: 147) notes, "The search for causally relevant commonalities shared by a set of cases with the same outcome is often the very first analytic move in case-oriented inquiry, despite the fact that this practice of 'selecting on the dependent variable' is almost universally condemned by quantitative researchers who think only in terms of correlations." However, it is by selecting on the dependent

variable, in this illustration a good cake, we find the combination of factors that makes it good. Selecting on the dependent is considered an absolute sin in econometric methods.

*Analysis of causal complexity versus the analysis of net effects:* Further, this configurational approach illustrates the utility of set-theoretic methods such as fsQCA, where the aim is to understand the causal complexity based on configurations (AbsenceOfCharring\*HighSugarLevels). FsQCA is “intended not to isolate the net, independent effects of single explanatory factors on a particular outcome, but rather to identify the combinations of factors that bring about the particular outcome” (Bell et al., 2014: 303). In this illustration, the aim is not to determine the impact of one additional spoonful of sugar on the degree of goodness of the cake but to determine what makes a good cake.

## 4.2 Data Sources

I compiled a list of proposed LNG import terminals from Reuters News’ list of proposed North American terminals, Congressional Research Service (CRS) reports, *Oil & Gas Journal*’s “Construction Updates,” “Gas-to-Liquid News,” and publications of federal regulatory agencies.<sup>4</sup> My search identified a total of 59 LNG import terminal proposals for the period 2000 to 2013. Importantly, this list is exhaustive; that is, I have data on the entire U.S. LNG industry over the entire period.

For each of the 59 proposals, I compiled a list of attributes from various sources, including the LNG terminal’s websites, regulatory agencies, media reports, trade journals, and related websites, and websites of nongovernmental organizations (NGOs) that track energy projects.<sup>5</sup> I also collated an extensive collection of news reports and

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<sup>4</sup> Namely, the U.S. Federal Energy Regulatory Commission, or the FERC, and the U.S. Maritimes Administration. I cross-verified this list with websites dedicated to tracking such proposals—Project No Project, Energy Justice Map, and Sutherland LNG Law Blog.

<sup>5</sup> When a website was defunct, I used Wayback Machine’s Internet archives.

press releases using a combination of searches in ProQuest, Factiva, and LexisNexis. Data were primarily collected from media reports, as they are known to play a critical role in determining firms' responses (Desai, 2011; King, 2008; Lamin & Zaheer, 2012; Zavyalova et al., 2012).<sup>6</sup> Press releases by firms were also considered because these are available for public consumption in a manner similar to news articles and they also present a channel for the firm to promote its agenda in case the news media doesn't consider its response as publication-worthy. To capture as many media articles as possible, I used search terms that were a combination of terminal names and their variants, sponsoring firms' names, location (i.e., the name of the community), and the terms *LNG* or *liquefied natural gas*. As I reviewed the media reports, I further refined the search terms based on my in-depth qualitative knowledge of the proposals.<sup>7</sup>

During the initial search, no media outlet was excluded, so the same news item was often duplicated across media outlets and across the source databases (i.e., ProQuest, Factiva, and LexisNexis). I converted the articles to simple text files and eliminated both duplicates and similar articles using the plagiarism detection software WCopyfind. This process yielded a database of 16,201 media news reports. I manually analyzed the content of each report to derive three categories of data: a) data indicating social contestation; b) statements issued by representatives of the proposing firms; and c) any other information deemed relevant to the particular proposal.

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<sup>6</sup> To ensure accuracy and comprehensiveness, I supplemented these data with local newspaper articles and NGO blogs.

<sup>7</sup> A sample search query (for Factiva): ((ChevronTexaco OR Chevron) near10 Pascagoula near10 (LNG OR "liquefied natural gas")) OR (("Bayou Casotte Energy" OR "Casotte Landing") AND (LNG OR "liquefied natural gas"))

Terminal names (alternatives): "Bayou Casotte Energy" OR "Casotte Landing"

Sponsoring Firm (alternatives): ChevronTexaco OR Chevron

Location: Pascagoula



I also consulted other data sources, including the various agencies of the U.S. government;<sup>8</sup> for company-specific information, I accessed Capital IQ, Wharton Research Data Services (WRDS), PrivCo, and Mergent Online. I collected additional county-level data through the Interuniversity Consortium for Political and Social Research (ICPSR) County Characteristics database for 2000–2007, and the National Center for Charitable Statistics (NCCS) database for NGO and charitable donations data. Following previous research on communities (Boone & Ozcan, 2014; Greve & Kim, 2014; Lee & Lounsbury, 2015), I used county borders to define communities because of the socio-economic dynamics that coalesce at the county level and the extensive data availability at that level. Other more specific data sources are listed below in the discussion on variables.

#### 4.2.1 Case Selection

I restricted my analyses to the 41 (out of 59) proposals whose sponsors applied for regulatory approval. As a robustness check, I looked for any systematic differences between the 18 proposals with no application and the 41 with an application. Eight proposals out of the 18 faced contestation at levels comparable or lower than the proposals with an application, indicating that the sponsors of these 18 proposals did not self-select out of the regulatory approval process due to heightened community contestation and a fear of failing. In fact, the major reasons for not submitting an application appear to be either an involvement by the sponsoring firms in other proposals, or the lack of sufficient financial resources.

Appendix C summarizes the 41 cases of LNG proposals used in the fsQCA analysis in three different forms: a table of some key data related to each case, a map of the U.S. indicating the geographical location of the proposals, and a brief descriptive narrative of

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<sup>8</sup> The Federal Energy Regulatory Commission (FERC); the Maritimes Administration; the U.S. Government Printing Office (GPO); the Energy Information Agency (EIA); the Bureau of Economic Analysis (BEA); the Bureau of Labor Statistics (BLS); and the Environmental Protection Agency (EPA).

each of these cases. As these descriptive narratives indicate, each individual case has many different factors that can potential combine in different and complex ways to determine regulatory success (and failure). This is exactly the kind of circumstance where fsQCA is most useful as it combines the best of both the qualitative and quantitative worlds. Traditional comparative case qualitative research relies on the researcher's ability to select the most theoretically relevant case studies for comparison. The utility of fsQCA is that it algorithmically partials out the cases that are related to the causal combinations of interest, from all other cases, which can probably be explained by other causal combinations but are not related to the current theoretical focus. Hence, the number of cases that finally make it to the causal recipes in the Findings section is much fewer than the universe described in Appendix C. However, by considering the entire set of 41 cases, fsQCA explicitly incorporates the possibilities for other solution pathways and thus provides an equivalent of the control logic of econometric method but at the entire case level (bundle of all attributes) and not for individual variables.

### 4.3 Calibration of Conditions

“Fuzzy sets resonate with both the measurement concerns of qualitative researchers, where the goal often is to distinguish between relevant and irrelevant variation (that is, to interpret variation), and with the measurement concerns of quantitative researchers, where the goal is the precise placement of cases relative to each other” (Ragin, 2008b: 72). This occurs through the process of calibration where the qualitative mid-point distinguishes relevant from irrelevant variations, and then a scoring mechanism is employed to precisely place the cases relative to each other.

For each proposal, I determined the extent of set membership in each condition and in the outcome (scored in the interval  $[0,1]$ ) using an analytical process called “calibration” (Ragin, 2008b), which takes into account both qualitative and quantitative information. I constructed the conditions using combinations of measures so I could capture in a rich way the multiple dimensions of the constructs, and thereby improve the validity of the models. In fsQCA, calibrated scores above (below) the 0.5 qualitative anchor indicate that a case is more inside (outside) than outside (inside) a given set. For instance, when calibrating performance, firms generating net earnings would have scores between 0.5

and 1 (indicating membership in the set of “successful firms”), whereas firms generating a net loss would have scores between 0 and 0.5 (indicating being more outside the set of “successful firms” than inside). I then followed best practices and used a combination of theoretical and empirical knowledge to determine the location of the 0.5 anchor (Fiss, 2011). Once the midpoint was determined, the cases indicating presence in the set were scored in the interval [0.6, 1.0], and the cases indicating absence were scored in the interval [0.0, 0.4] using quantitative normalization and scaling. The specifics of the calibration procedures are listed below for each condition.

#### 4.4 Outcome: Regulatory Success

For a firm trying to establish a foothold in a new market, it is crucial to stay ahead of competition during the regulatory process. When a firm is trying to gain approval for an LNG terminal, delays in the regulatory process can lead to significant impacts in terms of construction costs and gaining supplier and customer contracts. In this thesis, I chose to not only consider the eventual success in gaining the approval but also focus on how quickly the firms progressed through the regulatory process. To determine these two aspects of the process (final approval and speed of the process), I considered major milestones in the regulatory process. Based on the information provided by the two main federal regulators (the FERC and the MARAD), and the significance attached to regulatory events in firms’ press releases and trade journals, I identified the following milestones: Filing of application, Draft Environmental Impact Statement (DEIS), Final Environmental Impact Statement (FEIS), and Approval (Certification) of the terminal proposal. I classified the proposals based on the number of milestones achieved. I used the 0.5 qualitative anchor for the calibration to distinguish between approved and non-approved proposals.

Specifically, all 26 approved proposals (i.e., those that passed all four milestones) were calibrated in the interval [0.60, 1.0]. I used the average number of days elapsed between milestones to calibrate these projects within this interval, with the projects that progressed most quickly receiving a score of 1 and the slowest projects scoring 0.60. Non-accepted projects were also calibrated using average duration with the following intervals: for the four proposals that gained FEIS but not the final approval (three

milestones), the interval is [0.30, 0.40]; for the four proposals that reached only the DEIS milestone (two milestones), the interval is [0.20, 0.29]; for the seven proposals that achieved only the first milestone, the interval is [0.10 to 0.19].<sup>9</sup> Within each milestone category a normalized score was calculated for every project using the following formula.

$$\frac{(X - \mu)}{\sigma}$$

Where X is the days between milestones for that particular project,  $\mu$  is the average across all projects within the milestone category as the project under consideration, and  $\sigma$  is the standard deviation across all projects within the same milestone category. The rescaling of the normalized scores was achieved using the following formula.

$$\left( \frac{\text{Normalized score of project} - \text{MAX} \left( \begin{array}{c} \text{Normalized scores} \\ \text{of all projects} \\ \text{within milestone category} \end{array} \right)}{\text{MIN} \left( \begin{array}{c} \text{Normalized scores} \\ \text{of all projects} \\ \text{within milestone category} \end{array} \right) - \text{MAX} \left( \begin{array}{c} \text{Normalized scores} \\ \text{of all projects} \\ \text{within milestone category} \end{array} \right)} \right) * 0.4 + 0.6$$

The main part of this formula simply changes the scale from 1 to 0, when the values are ordered from low to high (for an example, see Table 2 below). For values ordered from high to low, the formula changes by interchanging MIN and MAX. Multiplying by 0.4 rescales the [0,1] interval to the [0, 0.4] interval. This would be the lower interval of calibration for fsQCA analysis that relates to absence of outcome and follows the typical convention of having an upper bound of 0.4. Since [0.6, 1] is the upper interval of calibration by convention, the addition of 0.6 in the above formula shifts this scale to the upper interval. In Table 2 below, for example, the above formula was used for all proposals that gained regulatory approval (number of milestones – 4). The MAX value of

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<sup>9</sup> Only three proposals, which didn't receive approval, were still ongoing when our data collection ended.

normalized score was 2.41, which corresponded to Bienvelle as it took longer than other approved projects. MIN value was for GulfGateway as it took the least amount of time for approval.

This process of determining the calibrated score for each of the projects captures the qualitative and quantitative differences between the projects. The qualitative differences are captured in two ways: a) projects that achieved four regulatory milestones (obtained the final approval) are considered as success and scored above 0.5; b) among those projects that didn't attain final approval, a distinction is made on the basis of the number of milestones they managed to obtain before exiting from the regulatory process.

Quantitative differences within each milestone category are based on average milestones days and calculated using the two formulas shown above. These considerations ensure that the context-based subjectivity in the calibration process is restricted to a choice of categorizing the projects (based on milestones achieved) but the fine-grained calibration between projects within a given category is achieved through numerical differentiation.

The following table lists the projects and the corresponding score assigned.

**Table 1: Calibration of Regulatory Success**

<b>PROJECT</b>	<b>NUMBER OF MILESTONES</b>	<b>DAYS BETWEEN MILESTONES</b>	<b>NORMALIZED SCORE</b>	<b>CALIBERATED SCORE</b>
<b>GULFGATEWAY</b>	4	98.00	-1.53	1.00
<b>INGLESIDE</b>	4	134.50	-1.17	0.96
<b>CREOLETRAIL</b>	4	142.25	-1.10	0.96
<b>GULFLANDING</b>	4	160.00	-0.92	0.94
<b>VISTADELSOL</b>	4	172.75	-0.80	0.93
<b>GOLDENPASS</b>	4	186.00	-0.67	0.91
<b>NEPTUNE</b>	4	192.50	-0.61	0.91
<b>CORPUSCHRISTI</b>	4	193.00	-0.60	0.91
<b>CAMERON</b>	4	197.50	-0.56	0.90
<b>PORTARTHUR</b>	4	197.50	-0.56	0.90
<b>CASOTTELANDING</b>	4	205.00	-0.48	0.89
<b>LNGCLEANENERGY</b>	4	212.00	-0.42	0.89
<b>CROWNLANDING</b>	4	232.50	-0.22	0.87
<b>NORTHEASTGATEWAY</b>	4	244.50	-0.10	0.85
<b>PORTPELICAN</b>	4	245.00	-0.09	0.85
<b>CALHOUN</b>	4	257.25	0.03	0.84
<b>SPARROWS</b>	4	274.25	0.19	0.83

PROJECT	NUMBER OF MILESTONES	DAYS BETWEEN MILESTONES	NORMALIZED SCORE	CALIBERATED SCORE
SABINEPASS	4	276.25	0.21	0.82
PORTDOLPHIN	4	278.25	0.23	0.82
WEAVERS	4	294.25	0.39	0.81
BROADWATER	4	306.75	0.51	0.79
MAINPASS	4	323.50	0.67	0.78
BRADWOOD	4	325.75	0.70	0.77
FREEPORT	4	481.50	2.22	0.62
JORDANCOVE	4	485.50	2.26	0.62
BIENVILLE	4	501.50	2.41	0.60
BEACON	3	217.67	-1.03	0.40
COMPASS	3	248.67	-0.66	0.39
CALYPSO	3	314.67	0.12	0.36
CABRILLO	3	436.33	1.57	0.30
PEARLCROSSING	2	164.00	-1.47	0.29
PORTAMBROSE	2	404.50	-0.25	0.26
SES	2	547.00	0.47	0.23
DOWNEASTLNG	2	702.00	1.25	0.20
OCEANWAY	1	212.00	-1.15	0.19
CLEARWATER	1	316.00	-0.92	0.19
SAFEHARBOR	1	427.00	-0.66	0.18
OREGONLNG	1	646.00	-0.16	0.17
LIBERTY	1	902.00	0.42	0.15
QUODDYBAY	1	931.00	0.49	0.15
CALAIS	1	1591.00	1.99	0.10

## 4.5 Main Conditions: Firms' Rhetorical Responses

I used my database of media reports to capture firm rhetoric. To measure *positive claims*, *negative topical claims*, and *negative personal claims*, I aggregated media statements around comparable “claim segments,” using the shorter of the following two time windows: a) from the first reported date of the particular rhetorical response explicitly identified in the media report until the next incident of contestation or b) from the first

reported date of response to the fifth day of response.<sup>10</sup> Since the dataset of 41 proposals also has counterfactual cases with low or no contestation, I considered instances of usage of these three rhetoric types without any related contestation event. There were only a few rare instances where negative claims (personal and topical) were used proactively but there were many more instances of positive claims without a related contestation event. Such claims were often issued as a part of press release.

I identified a total of 1,627 claim segments and manually coded each claim segment for the presence (coded 1) or absence (coded 0) of any of the three rhetorical tactics: *positive claims*, *negative topical claims*, and *negative personal claims*. The categorization of rhetoric into the three types (positive claims, negative topical claims, negative personal claims) based on the stream of literature summarized in Appendix A also aided me in coming up with an initial coding scheme for analyzing the rhetorical segments in the data. Further refinements to the coding scheme occurred as I built into it the nuances of the LNG context. The detailed coding protocol and examples of coded text can be found in Appendix D. Since a negative personal claim is relatively understudied within the literature on firm rhetoric, I also carried out an inductive categorization of the various sub-types, which is detailed in Appendix E.

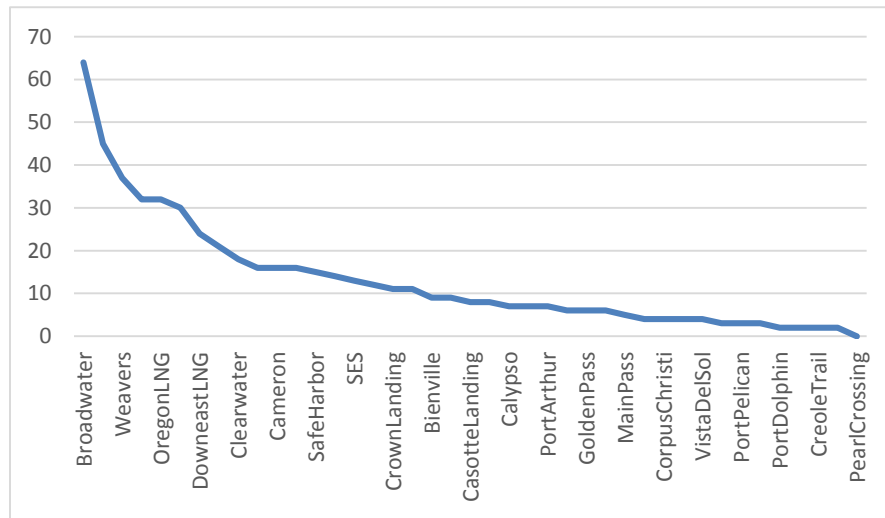
To assess the extent to which a particular rhetorical tactic was used consistently over time by a firm, I looked at a combination of the following measures: the total count of rhetoric use; the ratio between the use of a rhetorical tactic and the use of all three tactics; the number of years during which a particular tactic was used; and the ratio between the number of years of use and the total number of years the proposal was in vogue. Each of these measures was first calibrated in the interval [0, 1], and aggregated for every proposal. For the two dissuasive rhetorical tactics (*negative topical claims* and *personal*

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<sup>10</sup> The choice of using five days as the maximum window reflects findings by Lamin and Zaheer (2012) that media attention becomes insignificant after day five.

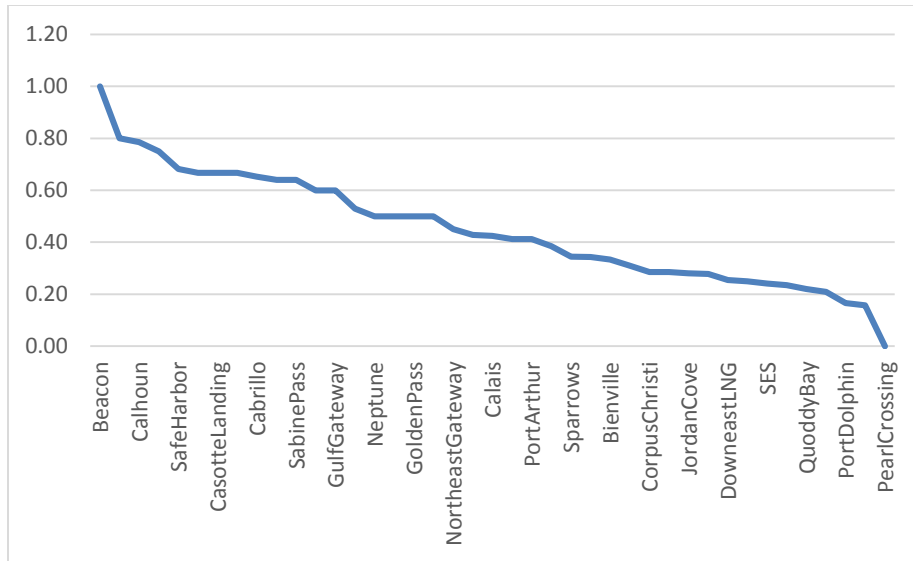
claims), the proposals that showed no use were coded 0, and the other proposals were calibrated in the interval [0.6, 1.0].

Since *positive claims* were present in all cases, I graphed the distribution of values for the four above measures to see whether any inflexion points represented “qualitative” differences (see graphs below). Since the distributions were fairly monotonic, I decided to use average values to identify the 0.5 qualitative anchor, and used deviation scores from that anchor to create the proposals’ scores.

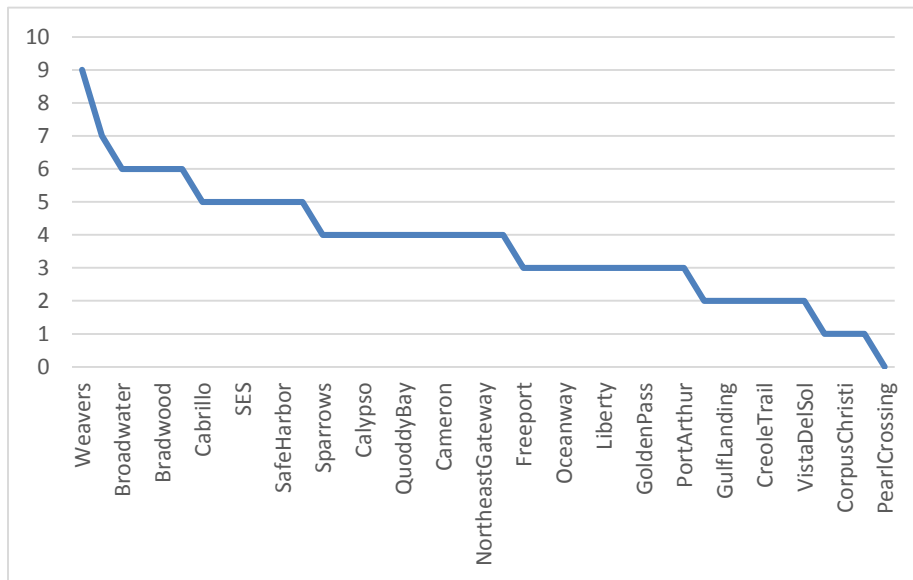


**Figure 5: Graph of Positive Claims Total Count**

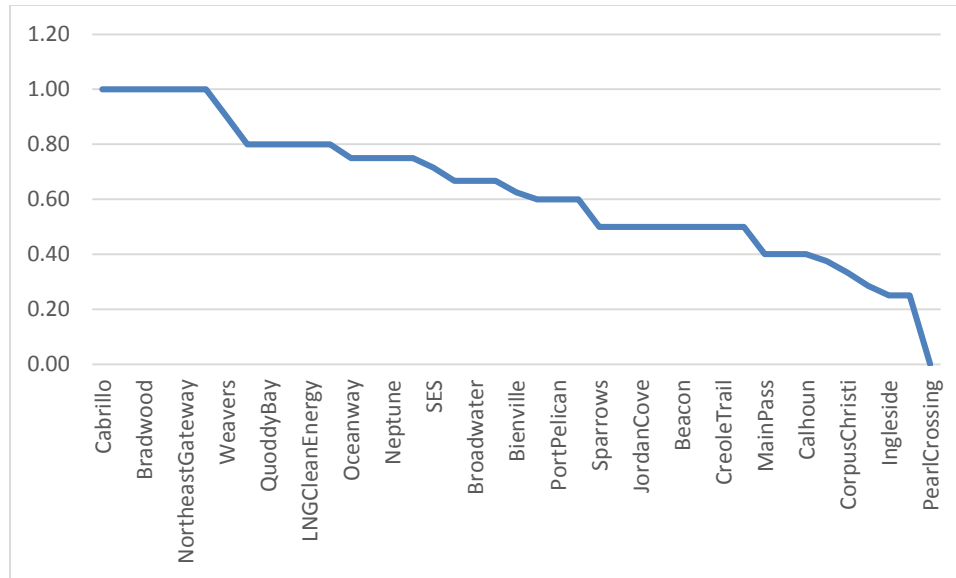




**Figure 6: Ratio of Positive Claims to All Rhetoric**



**Figure 7: Years of Positive Claims Usage**



**Figure 8: Ratio of Positive Claims Usage Years to Proposal Years**

## 4.6 Contextual Conditions

To understand when firms used particular rhetorical strategies, I created conditions that captured essential features of the context surrounding the proposal, both at the community level and the firm level. When I interpreted the results, these conditions allowed me to explain when certain rhetorical strategies were more likely to be used, and their likely consequences.

### 4.6.1 Community Level

*Sustained community contestation* captures the presence of long and intense episodes of contestation. The expectation is that sustained community contestation would create additional incentives for firms to use rhetorical strategies. Media reports were manually coded for incidents of contestation (see Appendix F for details). Using these incidents, I created separate measures to capture the length and intensity aspects of the contestation: total number of contestation events, average number of contestation events over the proposal period, number of contestation events in the final year, number of years when contestation occurred, and ratio of number of years when contestation occurred to number of proposal years. I calibrated these measures individually in the interval [0.6; 1]

when contestation existed (the closer to 1, the longer and more intense the contestation), and coded as 0 when no contestation occurred.

*Community need* for the proposed terminal captures aspects that make the proposal appealing to the community in terms of economic benefits. The expectation is that *community need* would decrease the appeal for the sponsoring firm of using rhetorical strategies, given the favorable bargaining situation created as a result of a strong community need. I used measures of the county’s unemployment rate, per capita income, and the state’s natural gas prices to create the *community need* condition (for details, see Table 2 below).

**Table 2: Condition - Community Need for Project**

<b>Variable</b>	<b>Description</b>	<b>Values/Scaling logic</b>
Unemployment rate	County-level unemployment rate. 2000 used as the year for calibration. The higher the unemployment rate, the greater the community’s need for the project.	Average was used for mid-point based on graphical examination of the data.
Per capita income	The lower the per capita income, greater the need for the project.	Average was used for mid-point based on graphical examination of the data.
Natural gas prices	Natural gas prices affect the local heating, electricity, and industrial costs. Average costs for 2000–2013 were used.	An average value of natural gas prices across the U.S. was used because the pipeline infrastructure is interconnected. Anything below the U.S. average price indicates that sufficient supply already exists for local needs.

## 4.6.2 Firm Level

*Resources and capabilities* capture the firm's ability to deliver on the claims related to its proposal. To construct this measure, I used the indicators shown in Table 3.<sup>11</sup> The proposals situated above the midpoint (0.5) had sponsoring firms with above-average capabilities to manage media and public perceptions (measures used: Harris reputation rankings and whether the firm was publicly listed), related industry capabilities (firms in the oil and gas sector), and financial resources (revenues).

**Table 3: Condition - Resource and Capabilities**

<b>Variable</b>	<b>Description</b>	<b>Values/Scaling logic</b>
Public	Publicly listed firms have the appropriate infrastructure and experience for managing public opinion.	For every sponsoring firm, this value was coded as a binary. For a given project, the value could vary between 1 and 0 because of the time-based weightage. Purely private projects were calibrated to 0. All other projects were calibrated above the midpoint [1, 0.60].
Oil and gas firms	Firms directly involved in the oil and gas sector will likely have the expertise and connections needed for a successful project.	Same logic as above.
Harris reputation rank	Firms appearing in Harris reputation rank are likely to have the capability to manage expectations.	The reputation rank was weighted by time for every sponsoring firm. All projects without firms in the rankings were coded zero. The rest were calibrated above the midpoint [1, 0.60].
Revenue in the year	For every firm involved in the project, its financial ability was estimated on the basis of	Revenue values were graphed. The difference between the average and inflexion point in the graph was just

<sup>11</sup> When there was more than one sponsor firm, I used a weighted average based on the ratio of time period for which each of those firms was involved in the project to the total time period for the project in the proposal stage.

Variable	Description	Values/Scaling logic
of entry	revenue during the year of entry.	five projects, so the average was used as mid-point.

*Project design advantages* capture a proposal’s design aspects that are community friendly. This reflects findings in previous NIMBY research that characteristics of facilities can significantly influence the nature of firm-community interactions (Grant et al., 2010). I relied on my deep understanding of the context and perusal of the regulatory application documents to construct this condition. For this condition, the proposals calibrated above the 0.5 qualitative threshold have design advantages that are clearly aimed at being friendlier to the community (and those calibrated below can potentially harm the community). For instance, Neptune was an offshore proposal, and, as Tractebel LNG CEO Rick Grant put it, “the general location for the port does not require any precious coastal land and limits aesthetic impacts.” To ensure that the facility was “well-designed, safely constructed and expertly operated,” they used closed-loop technology (which had the least environmental impact) and constructed the facility at a size lower than the average offshore LNG terminal. Table 4 below summarizes the indicators used to capture *project design advantages*.

**Table 4: Condition - Project Design Advantages**

Variable	Description	Values/Scaling logic
Onshore	LNG terminals can be onshore or offshore. Onshore LNG terminals are constructed immediately adjacent to the coastline and offshore LNG terminals are constructed in a deepwater port on the high seas (e.g., an oil rig). Onshore LNG terminals are cheaper to build but are more likely to invoke a NIMBY-type contestation. Firms proposing offshore terminals explicitly promoted them as a safer alternative to onshore terminals.	A binary variable: offshore coded as 1; onshore coded as 0.
If onshore, distance to the most proximate	For onshore facilities only, the distance was calculated to the most proximate city or town, using visual analysis data provided by the firm and by energyjustice.net. A combination of UPS rural zip codes and a	The distance values were graphed. Two projects were outliers, but the others followed a smooth curve, so the

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city	population cut-off of 5,000 were used to determine the nearest city or town. Only onshore facilities were considered because offshore terminals are located tens of miles into the ocean. For offshore terminals, the proximity to a city or town is less of a design concern than the impact on ocean-based activities.	average was used as mid-point.
If offshore, technology used	The technology used for regasification of LNG to natural gas in offshore facilities has an impact on fisheries in the surrounding ocean. Closed-loop facilities have the least impact but are more expensive because some of the converted natural gas is used to reheat the LNG. The open-rack system uses the relative warmth of the seawater for regasification. In the heat exchange, the seawater cools and has the potential to kill the fish larvae. Between these two extremes is the HiLoad technology, which greatly minimizes the impact on fish larvae.	Open rack was coded as 0, HiLoad as 0.5, and closed loop as 1. As this coding is added to other variables I didn't change the 0.5 mid-point of HiLoad.
Facility size	Facility size indicates the maximum amount of natural gas in terms of billions of cubic feet per day that can be processed by the facility on any given day after the LNG is regasified.	Because of design differences, the values were scaled separately for onshore and offshore terminals.

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## 4.7 Analysis

I used the fsQCA 2.5 software (Ragin & Davey, 2014) to conduct my analyses using a fuzzy truth table algorithm (for a mathematical interpretation of the algorithm, see Mendel & Korjani, 2013). The first step is to assess necessary conditions, which indicates whether a particular condition occurs for all cases that enjoy regulatory success.

Following best practice, I used a 0.90 consistency cutoff to determine whether the factor was a necessary condition. I then looked for sufficient conditions, which occur as combinations of conditions (or “configurations”), using the software’s fuzzy truth table algorithm and the commonly accepted cutoff values of 0.80 for raw consistency and 0.75 for proportional reduction in inconsistency (PRI) (Misangyi & Acharya, 2014).

## Chapter 5 –Findings

### 5 Findings

#### 5.1 Necessary and Sufficient Conditions

I did not find any necessary conditions that were above the 0.90 consistency cutoff—which is not uncommon in fsQCA and simply means that regulatory success is not explained solely by any single factor, but rather by multiple “paths” (and each “path” is a sufficient configuration of conditions). The sufficiency analyses yielded robust solutions for explaining the regulatory success among the 26 proposals that were approved, but the analysis did not yield solutions for explaining the regulatory failure of the other 15 proposals (i.e., I did not find a solution with an acceptable raw consistency and proportional reduction in inconsistency [PRI] score). Hence, I discuss only the configurations sufficient for regulatory success. Of the six configurations that resulted from this sufficiency analysis, two configurations had very low unique coverage (less than 0.05) and were each represented by only one case (i.e., one proposal). For the sake of conciseness, I show only the four main configurations.

#### 5.2 FsQCA Solutions: Configurations of Conditions

The results table below should be read column wise. The symbol ● represents the presence of a condition, and the symbol ○ represents its absence. If neither is indicated, that particular condition is not relevant for the causal pathway considered in that solution. Each column presents a solution (configuration of conditions) that was algorithmically derived by fsQCA software utilizing the cases provided (for a mathematical elaboration of the algorithm, see Mendel & Korjani, 2013).

**Table 5: Configurations Sufficient for Regulatory Success<sup>12</sup>**

	S1	S2	S3	S4
Response strategies	Avoidance rhetorical strategies		Counterattack rhetorical strategies	
<i>Dissuasive rhetorical responses</i>				
Negative personal claim	○	○	●	○
Negative topical claim		○	●	●
<i>Persuasive rhetorical response</i>				
Positive claim		○		○
<i>Contextual conditions (community)</i>				
Sustained community contestation	●		●	●
Community need	●	●	○	
<i>Contextual conditions (firm)</i>				
Resources and capabilities	●	●	●	●
Project design advantages	○	○	○	●
Raw coverage	0.30	0.31	0.23	0.22
Unique coverage	0.07	0.11	0.08	0.05

<sup>12</sup> Coverage indicates the proportion of outcomes explained by a given solution (e.g., a coverage score of 1 would mean the solution explains all the cases). Consistency indicates the extent to which proposals with high membership in a given solution have similar properties (i.e., it captures a solution's internal validity). Both coverage and consistency are scaled between 0 and 1.



	S1	S2	S3	S4
Consistency	0.95	0.95	0.88	0.93
Number of cases	6	6	6	3
Solution coverage		0.65		
Solution consistency		0.92		

As Grant et al. (2010: 487) note, fsQCA treats “cases as combinations of attributes [conditions] and use[s] Boolean algebra to derive simplified expressions of combinations associated with an outcome.” For instance, solution S1 can be expressed as:

~NegativePersonalClaim\*SustainedCommunityContestation\*CommunityNeed\*  
Resources&Capabilities\*~ProjectDesignAdvantages

The ~ (tilde) symbol is used in this representation to explicitly indicate the absence of a condition (equivalent to the symbol  $\ominus$  in the table above), and the \* indicates the combination of the conditions. This combination doesn't have the conditions NegativeTopicalClaims and PositiveClaims because across the cases associated with solution S1 were instances where some projects used PositiveClaims and others didn't. In set-theory language, there were some cases with membership in the set representing the presence of PositiveClaims and others had membership in the absence of PositiveClaims. So the influence of PositiveClaims on the outcome in solution S1 was ambiguous and hence was dropped from the solution configuration. The extent of membership in the presence and absence sets will also have a bearing on whether the fsQCA algorithm keeps or removes PositiveClaims from the configuration (the same would happen with NegativeTopicalClaims).

The Boolean logic can be explained as follows. Consider an outcome Y and three conditions A, B, and C that can potentially determine this outcome. The corresponding absence is indicated by ~Y, ~A, ~B, and ~C respectively. Suppose I have two cases: one where outcome Y occurs under the combination of conditions  $A*B*\sim C$  and another where Y occurs under the combination  $A*\sim B*\sim C$ . Combining the two cases in Boolean algebra would yield:  $A*B*\sim C + A*\sim B*\sim C$ . The + (plus) sign denotes an OR in Boolean

algebra and in QCA it simply means there are two alternative pathways for Y to occur. This Boolean expression can be further reduced as follows:

$$A*B*\sim C + A*\sim B*\sim C \Rightarrow A*\sim C*(B + \sim B) \Rightarrow A*\sim C*(1) \rightarrow A*\sim C$$

This reduction of the expression can be performed in an unambiguous manner for crisp sets, where a case is either a member (score of 1) or not a member (score of 0) of a particular condition's set. In fuzzy set, it is a bit more complicated because a calibrated range of values is used to indicate presence [0.6, 1] and absence [0, 0.4]. So the simplification of (B + ~B) need not always yield a 1. If one case has a membership score of 0.95 in the set for B and another has a score of 0.05, then the situation is quite close to having scores of 1 and 0, indicating clear presence (B) and absence (~B). However, if the second case has a score of 0.4, then it is slightly below the 0.5 threshold and indicates that it is barely absent (~B). In that circumstance the expression (B + ~B) is more inclined toward indicating presence (B). The final reduced expression in that instance will be A\*B\*~C and not A\*~C.

In the results shown above, using all the 41 cases fed into the software, fsQCA algorithmically determined that the four solutions (the configuration of conditions) are best justified by the empirical data provided. From the fsQCA algorithm's perspective, a condition related to a firm's rhetoric is no different from a community need. However, based on my empirical and theoretical knowledge, I can separate the combination of conditions related to rhetoric as a firm's rhetorical strategy and the rest as the contextual conditions that form the backdrop for the usage of these strategies. For instance, when solution S3 is expressed as a raw combination, I have:

$$\text{NegativePersonalClaim} * \text{NegativeTopicalClaim} * \text{SustainedCommContestation} * \sim \text{CommunityNeed} * \text{Resources\&Capabilities} * \sim \text{ProjectDesignAdvantages}$$

However this can also be expressed as

$$(\text{NegativePersonalClaim} * \text{NegativeTopicalClaim}) * (\text{SustainedCommunityContestation} * \sim \text{CommunityNeed} * \text{Resources\&Capabilities} * \sim \text{ProjectDesignAdvantages})$$

Where (NegativePersonalClaim\*NegativeTopicalClaim) denotes a rhetorical strategy employed when facing the contextual conditions denoted by:

(SustainedCommunityContestation\*~CommunityNeed\*Resources&Capabilities\*~ProjectDesignAdvantages).

Thus I have four different rhetorical strategies:

S1: ~NegativePersonalClaim

S2: ~NegativePersonalClaim\*~NegativeTopicalClaim\*~PositiveClaims

S3: NegativePersonalClaim\*NegativeTopicalClaim

S4: ~NegativePersonalClaim\*NegativeTopicalClaim\*~PositiveClaims

Again, the ~ (tilde) symbol explicitly indicates absence and the \* indicates the combination of the conditions employed in the presence of four different contextual conditions in order to gain regulatory success. The solutions are named after the four rhetorical strategies but it is also necessary to keep in mind that they are only employed when faced with four different combinations of contextual conditions. Solutions S1 and S2 can be described as containing “avoidance” rhetorical strategies, wherein firms avoid drawing additional attention by making public statements. S2 contains an extreme form of avoidance strategy, wherein all three rhetorical tactics are absent. Interestingly, proposals in both configurations are also characterized by a clear community need, suggesting that firms may avoid rhetoric when they believe that the community need for the proposal may be sufficient for regulatory success. Further qualitative analysis of the cases associated with S1 reveals that they experienced relatively lower levels of contestation, while cases associated with S2 were a mix of low or no contestation. Taken together, S1 and S2 indicate that overly assertive rhetorical strategies are not required to influence the regulatory outcome when community need is high and contestation intensity is low.

By contrast, solutions S3 and S4 contain within them clear “counterattack” rhetorical strategies implemented in response to community contestation and characterized by no clear community need for the proposal. S3 contains an extreme form of counterattack strategy, wherein both issues and detractors are targeted, in situations where the proposal lacks design advantages. In S4, when the proposal has design advantages, issues are countered using only negative topical claims. This response suggests that firms do not feel the need to deflect attention (toward positive attributes) or attack their detractors

amidst community contestation when their proposal's design offers clear benefits to the community.

## 5.3 Variations in Rhetorical Strategies

I conducted further qualitative analyses of the cases associated with these four solutions to shed light on the impact of contextual conditions on the choice of a particular rhetorical strategy.<sup>13</sup> At this stage, note that the only commonality among all solutions is the positive role played by firm resources and capabilities. While I would expect firms with the relevant capability and resources to use positive claims to manage perceptions, I find, quite surprisingly, that positive claims are avoided in two solutions (S2 and S4), and seem to be irrelevant in the other two (S1 and S3) in terms of explaining regulatory success. This finding indicates that firms with a solid resource and capability base do not feel the need to promote these advantages to the community in response to contestation.

### 5.3.1 S1: Mild Avoidance Strategy

S1 indicates a mild form of avoidance strategy. This strategy calls for an explicit absence of *negative personal claims*, irrespective of the presence or absence of the other two rhetoric types. A closer examination of the proposals associated with this strategy indicates that they were all present in the Gulf of Mexico, which was perceived as LNG-friendly, and in communities that needed the proposals for economic reasons. So the firms probably expected little resistance, and may have chosen to simply wait out the low levels of contestation for the larger economic reasons to prevail. In such cases, *negative personal claims* may be perceived as being unnecessary.

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<sup>13</sup> As a part of this analysis, I checked whether the cases associated with the solutions were different in terms media attention levels. I randomly selected incidents of contestation along with firm responses for each of these cases and counted media mentions using ProQuest, Factiva, and Lexis-Nexis. I did not find any consistent pattern of excessive media attention for these cases (i.e., the same incident reported several times by multiple media sources).

### 5.3.2 S2: Extreme Avoidance Strategy

S2 indicates an extreme form of avoidance strategy, wherein the firms maintain radio silence and rarely use any of the three rhetorical types. Theoretically, I can draw parallels to concepts such as the “opacity” that firms employ when facing potential scrutiny by interest groups (Briscoe & Murphy, 2012) or going “under the radar” to avoid potential risks emanating from disclosure of private information to regulators (Desai, 2015). Such strategies may be employed by firms that feel the need to hide something, which, in this study, may represent the inherent disadvantages of the terminal design. A comparison of S1-S2 with S3 also reveals that *community need* distinguishes whether the firm undertakes avoidance or attack. While previous research has indicated the *high risk* in disclosing unnecessary information (Briscoe & Murphy, 2012; Desai, 2015), this comparison reveals that the non-disclosure can also be driven by *low gain*. If the proposal already has the potential for community acceptance because of the community need for the terminal, then the *gains* achieved by over-selling the project are minimal.

### 5.3.3 S3: Extreme Counterattack Strategy

The polar opposite to extreme avoidance (S2) is an extreme counterattack strategy (S3), wherein the firms not only counter issues with *negative topical claims* but also directly counter the detractors using *negative personal claims*. Even though these proposals are backed by capable firms, *community need* and *design advantages* are distinctly absent. The firms cannot simply counter the issues using rhetoric without the empirical validity provided by *community need* and *design advantages*. On the other hand, firms cannot simply counter the detractors because even if the detractors can be dismissed and dissuaded, others will see the validity of their arguments. Thus, a dual-pronged rhetorical strategy helps the firm create doubts that the regulator can use as a basis for not dismissing the project.

### 5.3.4 S4: Mild Counterattack Strategy

S4 points to a mild counterattack strategy, wherein firms counter the issues using *negative topical claims*, but avoid using *negative personal claims* and *positive claims*. The cases associated with this configuration also enjoyed relatively lower levels of

contestation, in line with S1 cases. Whereas firms in S1 adopted a mild avoidance strategy, expecting the community need to prevail and avoiding further emphasis on design disadvantages, firms in S4 are in a more comfortable position due to design advantages. Consequently, firms in S4 can counter the issues to ensure that the regulator has no doubt about the design advantages. At the same time, these firms exercise caution and avoid employing the entire repertoire of claims, perhaps for fear of unnecessarily fueling contestation, currently at a relatively low level.

## 5.4 Summary of Findings

Tracking the impact of words in a macro social setting is a difficult endeavor because of the multitude of factors that can intervene between expression of these words and the impression they create. My research design has two advantages in this respect. Firstly, since the terminals are only proposed and not yet built, there have been no material interactions between the communities and the terminals. This setting enables actors to undergo “interpretive processes whereby choices are *imagined*, evaluated, and contingently reconstructed by actors in *ongoing dialogue* with unfolding situations” (emphasis added, Emirbayer & Mische, 1998: 966). When the terminal is only proposed, the rhetoric becomes central in both shaping the imagination of what the terminal means and engaging with the “unfolding situation.” Secondly, fsQCA allows me to focus on the particular conditions that are of theoretical importance and allows the cases, as bundles of these conditions, to become “controls” for each other instead of having to resort to a long list of control variables. However, having an advantageous research setting doesn’t completely explain the surprising aspect of these findings that the use (or avoidance) of any kind of publicly visible firm rhetoric should matter at all to the regulatory success. This seemingly surprising impact of rhetoric on regulatory success can be best understood in terms of threats to the regulatory process and the combination of contextual conditions.

### 5.4.1 Threats to the Regulatory Process

As shared in the Regulatory Process subsection of Chapter 2, Linda Godfrey (a community activist) commented: “My impression is that FERC is primarily interested in

representing the developers and the industry, and the role that citizens have in this process is unconscionable in a democracy.” This anecdotal evidence suggests that community contestation that remains unchecked can become a threat not only to the specific proposal under consideration but to the entire federal regulatory process. While such comments were not prevalent in every contested proposal, even a sporadic utterance in a couple of proposals would create the potential for being perceived as unfair across proposals handled by the same federal regulatory agency. With this potential in the background, the firm’s usage of dissuasive rhetoric (a counterattack strategy) offsets and creates ambiguity around the *voice* of the detractors in the public discourse space. Since this is a novel social setting, these detractors haven’t yet established that they really have “a *voice* in determining institutional norms” (emphasis added, Hoffman, 1999: 364), and a counterattack strategy from the firm prevents them from firmly establishing this de facto voice. Assuming the guise of fairness in the regulatory process then becomes much more palatable as and when the firm gains regulatory success.

#### 5.4.2 Combination of Contextual Conditions

The second element to be considered when examining the impact of firm rhetoric on regulatory success is that the success is not arbitrary but is discriminating of the various combinations of the contextual conditions. Any one condition doesn’t necessarily ensure that regulatory success is achieved because it is the specific combination of conditions that enables a particular rhetorical strategy to enable regulatory success. This aspect can only be discerned using configurational approaches such as fsQCA and cannot be effectively achieved using traditional econometric methods. Traditional econometric methods can at best consider a three-way interaction and do not consider the asymmetry in the variables. For instance, the three solutions with sustained contestation can be reversed, and the conclusion would be that lack of sustained contestation would actually lead to regulatory failure. However, with fsQCA, regulatory success and failure are treated asymmetrically and so is the sustained (or lack of) contestation. The reversal of one specific condition (e.g., a sustained condition) in isolation doesn’t necessarily reverse the outcome. Thus, a specific rhetorical strategy impacts regulatory success only when there is a corresponding combination of presence (or absence) of contextual conditions.

## Chapter 6 - Discussion

### 6 Discussion

This thesis aims to understand *how firms tailor their rhetorical strategies to community-level market entry conditions, and how do these strategies affect entry outcomes?* I defined success in terms of the regulatory process and focused on the rhetorical strategies the firms implement to counter contestation in order to achieve regulatory success. Based on extant literature I identified three distinct types of rhetoric: positive claims, negative topical claims, and negative personal claims. Firstly, my findings indicate that firms counter contestation using four configurations of these rhetorical types—two avoidance strategies and two counterattack strategies. Secondly, these findings demonstrate that any of these four strategies can be sufficient conditions for regulatory success in combination with certain characteristics of the proposal, the sponsoring firm, and the community.

#### 6.1 Tangible Consequences of Rhetoric During Social Contestation

A common criticism of firm rhetoric is that it amounts to lip service, and has little impact on tangible strategic outcomes (Ashforth & Gibbs, 1990). This study extends recent research showing that seeks to demonstrate tangible impact of rhetoric. To date, researchers have considered the impact of rhetoric amid social contestation in the form of interactions between three main types of actors: proponents (e.g., firms), opponents (e.g., contesting communities), and infomediaries (Deephouse & Heugens, 2009). Scholars have provided evidence that the rhetoric of opponents can inflict a serious impact on proponents, such as destabilizing an entire industry (Hoffman, 1999; Maguire & Hardy, 2009). Often, the mass media play the role of an infomediary by amplifying the opponent's rhetoric, which can lead to specific firm actions, such as deliberately hiding controversial practices (Briscoe & Murphy, 2012). The media can also play the role of an opponent by deliberately adopting a negative tenor toward certain industries, sometimes pushing firms to divest assets from these contested sectors (Durand & Vergne, 2015). Consequently, firms often adopt rhetorical strategies aimed at managing media coverage,



especially in the aftermath of a wrongdoing or an accident (Desai, 2011; Zavyalova et al., 2012).

So, while scholars have some understanding of the impact of opponents' rhetoric on firms—including through the lens of the media—and of the direct impact of media rhetoric on firm strategy, little is known about the impact of firms' own rhetoric on tangible strategic outcomes. My study begins to fill this gap by showing which rhetorical strategies can lead to regulatory success when firms seek to establish a foothold in a new market characterized by community contestation.

## 6.2 Non-market Strategies Leading to Regulatory Success

Bonardi, Holburn, and Vanden Bergh (2006) hint at potential ways in which rhetoric can be used as a non-market strategy for utilities seeking regulatory approval for their proposed rate change. They demonstrate that oppositional interest groups, such as unions or environmental activists, can mobilize the media to negatively affect a utility's regulatory success—not unlike community contestation in the context of this thesis. They speculate that some firms may have developed a capability to deal effectively with policy makers, but do not elaborate on the nature of that capability. This study gives substance to that capability by providing evidence that firms can successfully implement rhetorical strategies that contribute to regulatory success.

In a more recent work, Gurses and Ozcan (2015) consider a different type of contestation in the broadcasting industry—between incumbent firms and new entrants (pay TV services). They find that to be successful in influencing the regulator, the firm needs to create a “window of opportunity to grow” by “aligning their product or service with the interests of incumbents and the dominant frame of the regulators” (p. 1710). Once firms have grown and established a widespread positive public opinion, it will be too late for the incumbents to influence the regulators. The avoidance strategies highlighted in my findings are similar, to the extent that they address eschewing direct confrontation. However, unlike industry incumbents, communities do not always feel threatened by new entrants, and the NIMBY effect does not always prevail.

As my findings demonstrate, when a clear community need exists for the proposals, what matters to firms is not so much hoodwinking the community and the regulator through carefully crafted rhetoric as it is avoiding unnecessary attention by shunning certain types of rhetoric. Thus, this study provides an interesting counterpoint to prior research, which often “assume[s] that firms always benefit from a highly publicized response, provided that they are portrayed in a positive light and that audiences lend credibility to managers’ commitments” (Durand & Vergne, 2015: 1218). My findings paint a very different picture, with none of the four successful rhetorical strategies requiring the presence of positive claims (see Table 2 above). This finding indicates the need for scholars to shift their focus of rhetoric research from positive to negative claims, given that the latter appear to be more consequential in market entry situations.

### 6.3 Rhetorical Responses to Social Barriers to Entry

Market entry decisions such as entry timing (Suarez, Grodal, & Gotsopoulos, 2015) are meant to address the barriers to entry posed by industry structures (Porter, 1981) and incumbents (Fligstein, 1996) but scholars are increasingly recognizing the roles played by regulatory mechanisms (Dean & Brown, 1995; Holburn & Vanden Bergh, 2014), political environments (Peng, Wang, & Jiang, 2008), and communities (Vasi et al., 2015) in terms of creating impediments to entry. To capture this notion, I introduce the term *social barriers to entry*, defined as the set of impediments imposed by non-market actors that firms need to overcome to establish a foothold in an industry. Scholars have previously considered other forms of social barriers. For instance, Hoffman and Henn, (2008: 404) explore barriers at multiple levels including “how barriers to green construction can be perpetuated by rules, norms, and beliefs at the institutional level”. In their integration of market and non-market strategies in utilities industry, Holburn and Vanden Bergh (2014: 451) point out how “incumbents to seek support for legal or regulatory barriers that prevent competitive entry”. Similarly, Flammer (2015: 1471) argues that “by stepping up their social and environmental initiatives, companies can differentiate themselves and establish a ‘soft’ trade barrier disadvantaging their foreign competitors”. In this thesis, I consider community contestation as a form of social barrier to entry because of its potential to derail the regulatory process during the entry process.

Empirical work on community contestation has considered industries such as radio stations (Greve et al., 2006), banks (Marquis & Lounsbury, 2007), and big-box retail stores (Ingram et al., 2010). Clashes between firms and communities should be expected to be even more intense when firms are location-constrained—that is, when firms propose new projects with no (or very few) alternative locations, due to the required complementarities between the project and specific geographical features (e.g., the need for a coastal location next to a river and an industrial harbor). Because firms entering the LNG imports industry were trying to establish a foothold in a specific geographic location chosen for its economic advantages, they couldn't simply exit from the contestation (Ingram et al., 2010) and were forced to design strategies to overcome them. Rhetoric becomes a powerful tool in this endeavor because of its visibility to other non-market entities (e.g., the federal regulator) and to such market actors as investors, suppliers, and customers—thereby potentially eliciting further support by providing a rationale in defense of the firm.

## 6.4 Prevalence of Negative Personal Claims

To demonstrate the empirical prevalence of negative personal claims, in this subsection I share a few examples outside the LNG context of this thesis.

**Electronic cigarettes** faced intense contestation over their classification as a type of cigarette (along with its harmful effects) or as a type of cigarette alternative such as nicotine patch. The online retailer [www.ecigaretteschoice.com](http://www.ecigaretteschoice.com) issued a series of press releases in 2010 directly attacking the stakeholders contesting the industry claims. An excerpt from one such press release is given below:

So why are e-cigarettes in the bull's-eye of politicians when public health organizations are declaring them lifesavers? Either the politicians don't understand the ramifications of the legislation they seek to pass or they have a total disregard for the health of the American people. Allowing cancer causing tobacco cigarettes to remain on the market while opposing and or banning e-cigarette sales as a viable alternative is the equivalent to Genocide. Smoking touches almost every family in this country. Playing political games with millions of lives will play out in the court of public opinion and surely unseat some shady politicians in November. (2010)

In 2010, Raphael Pirker's video of the Statue of Liberty taken from a drone went viral, giving him the idea to start the company TBA Avionics, which manufactures and sells **commercial drones** for taking aerial videos and pictures. However, in 2011, the U.S. Federal Aviation Administration (FAA) fined him \$10,000 for flying too close to buildings in shooting a promotional video for the University of Virginia. Instead of paying this relatively small amount, Pirker chose to disapprove of the FAA. He argued that FAA had no legal authority to regulate the drone because it is a model and not an actual aircraft with a person inside. He further challenged the legitimacy of FAA by pointing out that it relied "on internal orders and its 2007 Policy Statement, rather than on any validly issued regulations" (MacPherson, 2014). Similarly, in the early years of Voice-over-Internet-Protocol (VoIP) or **Internet telephony**, Vonage CEO and founder, Jeffrey Citron, publicly started challenging attempts to control his company's growth, which he described it as "regulatory alarmist ... jumping the gun a little bit" and wanted market forces to play out (2003). When it was rumored that the state of California was considering an appeal of the Federal Communications Commission's (FCC's) order exempting VoIP from state public utility regulations, Citron stated, "If California should proceed with litigation, I would fight that. How many victories do I need before people know this is the way it's going to be?? (2004).

Recent waves of contestation by taxi companies and regulators in Europe, Canada, and the United States against **app-based ridesharing services** such as Uber, Lyft, and Sidecar represent an interesting example since they were met by the type of disapproval examined in this dissertation. Instead of trying to appease hostile stakeholders, Uber's CEO has publicly called the taxi industry "a protectionist scheme," declared the California government "unaccountable," and said his "opponent [was] an a--hole named taxi."<sup>14</sup>

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<sup>14</sup> <http://pando.com/2012/10/24/travis-shrugged> ; <http://www.ibtimes.com/uber-ceo-travis-kalanick-declares-war-taxi-industry-interview-video-1592433>

All the major theories in organizational and management scholarship, such as institutional theory, resource dependence theory (RDT), stakeholder theory, and categories research, have considered the positive consequences of positive evaluations of firms and have mostly assumed that because of the negative consequences of negative evaluations, firms will try to avoid or prevent them as best as they can. However, an ever-increasing scholarship focusing on the impacts of stigmatization and other forms of negative evaluations of firms has demonstrated the theoretical utility of considering negative evaluations as a concept distinct from positive evaluations, and not merely a different end of the continuous scale (Hudson & Okhuysen, 2009; Maguire & Hardy, 2009; Vergne, 2012). The prevalence of negative personal claims in many real-life situations indicates that research on negative evaluations should be extended into domains where the firm becomes the evaluator, instead of being just a passive target of evaluation. I consider this dissertation as a small step in that direction.

## 6.5 Research Limitations

While the LNG industry context includes specificities that may limit the generalizability of my findings—such as geographical constraints and the particular nature of the U.S. regulatory process—it provides a rather “clean” setting for observing a rich variety of rhetorical strategies and assessing their impact. I see exciting opportunities for future research to examine rhetorical strategies in different industry settings, in combination with entry mode and entry timing tactics, so as to provide a fuller picture of entry strategy in the presence of social barriers.

Another limitation of the current work is the broad rhetorical categories used in the fsQCA analysis. Although the actual coding of the data was done at a more fine-grained level, this broad categorization was required both for providing theoretical integration and because of some limitations of fsQCA. Since fsQCA uses Boolean algebra, the number of cases needed for generating results increases with the number of conditions utilized. For example, consider two conditions A and B that are used in analysis of the outcome variable X (the absence is denoted by the lowercase letters a, b, and x). All possible combinations of A and B would be AB, Ab, aB, and ab. So ideally 4 (or in binary terms,  $2^2$ ) cases would be needed to represent each of these configurations.

However, in social sciences, it is not always possible to find cases that represent all possible combinations, which leads to the problem of logical remainders called *limited diversity*—“the set of all logically possible combinations of conditions for which either no or not enough empirical evidence is at hand” (Schneider & Wagemann, 2012: 151). The Quine-McClusky algorithm in the fsQCA software greatly reduces this problem (Mendel & Korjani, 2013) by utilizing the observable cases to the fullest extent possible but it is still desirable to keep the number of conditions to as few as possible; hence, the need for the aggregation of data.

Another potential limitation of this research design is that it considers rhetoric but not the traditional non-market strategies and corporate political activities such as lobbying, astroturfing, and campaign contributions. Fortunately, fsQCA does not work on the basis of the control logic of correlational statistics; “unlike variable based methods that are founded on the notion of unifinality and seek to estimate a single recipe for all cases under examination, QCA methods explicitly take the idea of equifinality into account, allowing different subsets of cases to produce the same outcome” (Grant et al., 2010: 487). Thus, the inclusion of other types of non-market strategies will likely create other potential paths to achieve the same outcome but doesn’t negate the existence of the configurations that are considered without those other non-market strategies. However, to provide a more holistic picture of firm responses to community contestation, I develop a broader theoretical typology of possible firm actions in the next section.

## Chapter 7 – Situating Rhetoric within a Broader Typology of Firm Responses

### 7 Situating Rhetoric within a Broader Typology of Firm Responses

In this section, I address one of the research limitations highlighted in the previous section, the other potential responses to social contestation available within the firm's repertoire of actions. The main thrust of this thesis is to analyze the impact of the various rhetorical contests between the opponents and proponents of the proposed LNG terminals because the terminal is not yet built and words have considerable impact. Specifically, the impact of these rhetorical contests on the regulatory approval process was demonstrated by the findings of the fsQCA and theoretically elaborated in the Discussion section (Chapter 6). A focus on rhetorical contest is necessary to understand the long-term dynamics of a sustained contestation, and the structured pattern of results generated by the fsQCA helped me in providing a focused theoretical elaboration. However, my investment in understanding the narrative related to each case (see Appendix C) also helped me recognize that firms often undertake other types of actions in an attempt to deal with the institutional complexities of social contestation. By *institutional complexities*, I refer to the concurrent pressures exerted due to the presence of "multilevel, polycentric systems" (Ostrom 2010: 2), which suggests that "institutions originate from multiple (poly) rule-setting centers such as governments, associations, and communities" (Batjargal, Hitt, Texas, Jiao, & Webb, 2013: 1025). Hence, to provide a holistic understanding, in this section, I develop a broader theoretical typology of the firm actions on the basis of qualitative analysis of all the 59 LNG terminal projects. Such a typology helps link the rhetoric to a broader set of options available to the firm and hence can become the basis for future research to uncover other aspects of *how firms try to overcome community opposition in their efforts to succeed in their market entry process*. Thus, this section serves two purposes: a) to situate rhetoric within a broader typology of firm reactions and b) to create a template to guide my future research endeavors. Hence, I start this section with extant literature to guide the creation of this typology and I end with a discussion of my future research directions based on this typology.

## 7.1 Theoretical Basis

When firms enter a novel setting, they face the uphill task of building credibility and widespread social acceptance, so they employ a variety of legitimation strategies (Aldrich & Fiol, 1994). Examples of such strategies include building collective identities, employing symbolic/cultural narratives, painting an optimistic future, establishing connections with other areas, and obtaining third-party endorsements (Garud et al., 2014; Perretti, Negro, & Lomi, 2008; Ruef, 2000; Santos & Eisenhardt, 2009; Sine, Robert J. David, & Mitsuhashi, 2007). Some of these legitimation processes are more *covert* than *overt*, in the sense that firms actively avoid drawing attention toward themselves or their established identity. For instance, firms can avoid direct attention until the legitimacy of a new category of economic activity is firmly established by using such strategies as directing attention toward the collective (Navis & Glynn, 2010) or using pseudonyms to avoid recognition by potential detractors (Phillips & Kim, 2008). Similarly, firms can also adopt overt or covert legitimation strategies when they face social contestation. For instance, they can swerve from direct conflict through asset divestment (Durand & Vergne, 2015), which is a more covert legitimation strategy than making public claims about the societal benefits the firm brings (Elsbach, 1994).

In contrast to legitimation strategies, delegitimation strategies seek to eliminate specific external constituents from the social evaluation process (Bourdieu, 1993; Lamont, 2012) by covertly or overtly undermining them. Publicly visible rhetoric that directly attacks the specific external constituent (Oliver, 1991) is a very overt delegitimation strategy. *Overt delegitimation* strategies are meant to dissuade certain external constituents from continued participation in the evaluation process, whereas *covert delegitimation* strategies undermine multiple external constituents by not including them in the evaluation process altogether or by undermining them in ways that are not easily discernible. Firms can employ a covert delegitimation strategy by using various political activities such as lobbying, campaign contributions, and revolving doors in an attempt to influence policy decisions behind closed doors. These strategies have been extensively studied within the research stream of corporate political activity (Hillman, Keim, & Schuler, 2004). Empirical work in this area has focused on highlighting the resultant benefits (e.g.,



Hillman, Zardkoohi, & Bierman, 1999), the role of corporate elites in facilitating some of the strategies ( e.g., Mizruchi, 1989), and specific political environments that enable certain strategies ( e.g., Delios & Henisz, 2003).

In combination, these literature streams provide the basis for developing the typology along two dimensions—covert/overt and legitimation/delegitimation. The details of the mappings between specific firm actions and this typology follow.

## 7.2 Data and Analysis

The extensive database of qualitative and quantitative information I collated for each of the 59 LNG terminals provides multiple types of actions from the sponsoring firms. I studied each of these 59 cases to develop a narrative of how the projects proceeded from announcement to the construction/exit stage. Within each of these projects, I located specific actions by the firms. Many of the overt actions became evident because of the associated firm rhetoric or the community reaction to the action, or both.

Some of the cases in my database also hinted toward many covert actions that were not easily evident in the public rhetoric. I used other data sources to unearth some of the more covert actions undertaken by the firms. I obtained details about campaign financing from the Sunrise Foundation, which collates data from the U.S. Federal Election Commission (FEC) and other local agencies. It also provides additional data types such as lobbying and participation in U.S. federal committees. In one specific instance, data from NorthernStar Natural Gas Inc.'s bankruptcy filing provided evidence of other types of covert actions.

I extended the inter-case comparison of qualitative research analytical paradigm by conducting a qualitative comparison of the actions to determine the extent of covertness/overtness and legitimation/delegitimation inherent in these actions. Similar to Fiss (2011: 395), I followed Doty and Glick's (1994: 232) definition of typologies as “conceptually derived interrelated sets of ideal types [that] identify multiple ideal types, each of which represents a unique combination of the organizational attributes that are

believed to determine the relevant outcome(s)”. While Fiss (2011) sought to classify organizations into a typology, my aim is to classify organizational actions.

I utilized the rhetorical actions of the firms as ideal type actions for each of the four categories: covert legitimation, overt legitimation, covert delegitimation, and overt delegitimation. Rhetoric as an ideal type provides a good starting point for categorizing other actions for many reasons: a) rhetoric often accompanies many firm actions and at times the non-accompaniment of rhetoric along with a particular action is interesting in itself; b) the understanding gained from the analysis of rhetorical data, as a part of the fsQCA, helps in comparing rhetoric with other actions; and c) using rhetoric as an ideal type for comparison is also in line with the explicit goal of this section - situating rhetoric within a broader typology of firm responses.

### 7.3 Extended Typology of Firm Responses

Based on the qualitative analysis of firm responses and the theoretical framework discussed above, I categorized the various firm responses into a typology that had two dimensions: overt/covert and legitimation/delegitimation. The table below shows the various firm responses under the four resultant categories.

**Table 6: Typology of Firm Responses**

<p><b>Overt Legitimation</b></p> <ul style="list-style-type: none"> <li>• <i>Positive claims rhetoric</i></li> <li>• Experiential interactions: presentation; simulations</li> <li>• Monetary incentives: remediation and mitigation funding; community funding</li> <li>• Community benefits agreements</li> </ul>	<p><b>Covert Legitimation</b></p> <ul style="list-style-type: none"> <li>• <i>Extreme rhetoric avoidance strategy</i></li> <li>• Location choice</li> <li>• Push polling</li> <li>• Astroturfing</li> </ul>
<p><b>Overt Delegitimation</b></p> <ul style="list-style-type: none"> <li>• <i>Negative personal claims rhetoric</i></li> <li>• Legal action and appeals</li> <li>• Third-party attacks</li> </ul>	<p><b>Covert Delegitimation</b></p> <ul style="list-style-type: none"> <li>• <i>Negative topical claims rhetoric</i></li> <li>• Lobbying</li> <li>• Political linkages: campaign financing; revolving doors</li> </ul>

### 7.3.1 Overt Legitimation

Much of organizational and management literature has sought to understand how firms overtly seek legitimation for their economic endeavors. Legitimation requires firms to gain widespread social acceptance, and overtness requires that it be expressed publicly to gain acceptance from a broad set of stakeholders. Hence, overt legitimation tactics can be defined as those actions that are intentionally public in an effort to gain the widest possible social acceptance for the firm and its activities. A burgeoning area of inquiry into overt legitimation has been the use of positive claims rhetoric both in novel social settings (Khaire & Wadhvani, 2010; Lounsbury & Glynn, 2001; Santos & Eisenhardt, 2009; Weber et al., 2008) and in the face of contestation (Elsbach et al., 1998; Zavyalova et al., 2012). I use *positive claims rhetoric* as an ideal type overt legitimation tactic for the purpose of analytical comparison and categorization of other actions.

I previously defined *positive claims rhetoric* as a persuasive response to the contestation, which highlights the positive attributes of the firm and its proposal to deflect attention from the claims of the opposition. The persuasive aspect of the positive claims indicates that these actions are intended to completely minimize any form of adverse blowback because they are not countering, either the issues or the stakeholders themselves, but are clearly seeking to gain a widespread endorsement without antagonizing anyone. Positive claims rhetoric is also overt, as the rhetoric is made publicly and without any guise around its intention—to seek widespread acceptance. The other types of overt legitimation tactics are unambiguously publicly visible with the clear intention of persuading a wider audience to support the firm and its activities. However, some of these tactics, such as monetary incentives, may have a greater potential for adverse reaction than a positive claims rhetoric.

#### 7.3.1.1 Experiential Interactions

Presentation and simulations are helpful in settings such as the LNG industry where the physical characteristics of the substance become a contestation theme. For example, the LNG Clean Energy project that was proposed in Pascagoula, Mississippi, brought a canister of LNG to their presentation and they demonstrated how the vapors catch fire

and burn instead of explode. Computer simulations are also useful alternatives when such physical presentations are not possible or are cost-prohibitive. For example, the Downeast LNG project in Maine enlisted the help of Eastport pilots to demonstrate on a computer how they could guide the LNG vessels safely into Passamaquoddy Bay, which was along the way to the proposed location for the terminal.

These tactics can be considered as utilizing epistemic objects or boundary objects. An epistemic object can be considered to be a representation of the current knowledge but also lends itself as an “object of enquiry” and “these objects are not things with fixed qualities but rather are open-ended projections oriented to something that does not yet exist” (Miettinen & Virkkunen, 2005: 438). Since the LNG terminal doesn’t yet exist, the demonstration of the burning properties of LNG and the simulation of LNG vessel navigation become epistemic objects that can potentially be “generators of new conceptions and solutions and can be regarded as a central source of innovation and reorientation in societal practices” (p. 428). In this sense, these tactics can also be considered as employing boundary objects that can potentially transcend the divide between business and society. Carlile (2002: 442) defines boundary objects as “a means of representing, learning about, and transforming knowledge to resolve the consequences that exist at a given boundary.” However, the way these boundary objects are employed can determine whether these objects are used “to establish, expand, reinforce, or undermine boundaries” (Zietsma & Lawrence, 2010: 194). Tactics such as demonstrations, presentations, and simulations provide an opportunity for interactions based on boundary objects that trigger visual and experiential stimuli rather than just verbal stimuli. Hence, firms can potentially use boundary objects in such arenas to “establish a shared context” (Carlile, 2002: 442) that can break down the boundaries between the firm and community, and increase the prospects for legitimation.

### 7.3.1.2 Monetary Incentives

In the context of LNG terminals, where the facility may have a physical environmental impact, monetary incentives can often include some form of an anticipatory funding for potential future environmental harm (remediation and mitigation funding) or funding can be directed toward boosting the community around the facility (community funding).

These two types of monetary incentives can be considered as covering two ends of the spectrum—community costs and community benefits—which may be accrued in the future, due to the firm’s activities in the community.

*Remediation and mitigation funds* were set up by some LNG terminal projects to explicitly assuage any potential negative fallouts such as accidents from the proposed LNG terminals. Funds were also set up to provide extra equipment and personnel for the local fire departments. Some terminals proposed mitigation funds for the potential environmental impact because of the day-to-day operations of the terminal. For example, the Bradwood Landing LNG terminal in Oregon pledged \$59 million toward the protection of salmon habitats that would be affected by the navigation of LNG vessels along the Columbia River.

*Community funding* was set up by some terminals to fund community infrastructure such as local schools, ferry terminals, or cell towers that were neither necessary for the functioning of the LNG terminal nor faced any threats from the LNG terminal. Other LNG terminals agreed to forgo any tax benefits or exemptions so that the local governments could explicitly use the tax revenue to fund various community needs.

Monetary incentives, such as remediation and mitigation funds, and community funding, can become double-edge swords. They are overt legitimization tactics because of the public visibility of these actions and their persuasive nature in terms of the expressed intent to gain widespread acceptance. However, unlike positive claims rhetoric, monetary incentives carry a risk of blowback. For instance, the Broadwater LNG terminal project set up a \$15 million community fund that was to be distributed between the Town of Riverhead (\$2.5 million), Suffolk County (\$2.5 million), and Riverhead school district (\$10 million). Philip Cardinale, the town supervisor for Riverhead, described it as a “hush money and that it was a “payment in lieu of safety.” He further emphasized the point by stating, “the safety of our residents is not for sale.”

Zelizer (1989), in her study of usage of money by married women in the U.S. from 1870 to 1930, expounded the social meaning attributed to money and argued for moving beyond a mere utilitarian or rational interpretation of money. In a similar vein, Belk and

Wallendorf (1990: 35) note that “the interpretation of money as either sacred or profane depends on its sources and uses and that traversing the boundaries between the sacred and the profane is possible only with attention to proper context and ritual.” Utilizing a more micro and psychological perspective, Vohs, Mead, and Goode (2006) argue that whether money is seen as an incentive (as a motivator to do better for oneself) or as a disincentive (“undermining interpersonal harmony,” p. 1154), it is based on the “same underlying process: Money makes people feel self-sufficient and behave accordingly.” This double-edged nature of money becomes apparent, whether we take a macro perspective (sacred vs. profane) or a micro perspective (incentive vs. disincentive). So monetary incentives proposed by firms can work if they lead the entire community to feelings of self-sufficiency but can become a source for conflict among the community members even if just a few view the monetary incentives as profane.

### 7.3.1.3 Community Benefits Agreements

Oregon LNG signed a memorandum of understanding (MOU) with the local government detailing commitments related to the environment. They also made commitments with local construction unions for hiring local workers. These explicit agreements with communities that commit a firm toward achieving common good such as “economic (employment, financial), social (mandated hiring of certain groups, affordable housing) or environmental (air quality, open space, and conservation)” have been described as community benefits agreements (CBAs) by urban planning scholars (Baxamusa, 2008: 263). These scholars also point out that the effectiveness of these CBAs is often dependent on how broad a coalition of community interest groups is built to support the CBA. CBAs can thus potentially become a chicken and egg problem, whereby the CBA might be needed to build a broad coalition of support, but without a CBA, a broad coalition may not be possible.

The need for such a broad coalition becomes apparent in the in-depth case study by Saito and Truong (2015) of the L.A. Live sports and entertainment district, which in 2001 had one of the first comprehensive CBAs in the U.S. The coalition built around this CBA had “five unions (all nonbuilding trade unions), 21 community organizations, and over 300 residents” (p. 272). The authors trace the coalescing of multiple groups to factors such as

“the growing influence of unions, community organizations, and the Latino population”; “the community organizational infrastructure with the legal and technical expertise necessary to negotiate a CBA”; and “community organizations that had extensive experience with housing and job training and hiring programs.” (p. 283) Thus, the CBA came to fruition because of a social structure that favored job creation, and an existing community infrastructure and capability that could be leveraged for job creation and housing (two critical components of the CBA). Such a favorable intersection of conditions may not always exist, and firms may need to work toward constructing some of them.

Parts of the CBA, such as *vocational support*, can sometimes be implemented without a formal governing agreement. For instance, Clearwater Port LLC, sponsor of the Clearwater LNG project, along with the California Maritime Academy of Vallejo, CA created a continuing education program. This program was meant to improve the training of personnel in the transportation and handling of LNG. The Clearwater LNG terminal was proposed very close to the academy’s location. However, given the complexities involved in structuring a comprehensive CBA, firms may be tempted to implement elements of CBA independently and may miss an opportunity to build a broader coalition of support. While CBAs appear to be a sort of golden standard for overt legitimation, their rarity suggests that it is either not easy to build the coalition necessary for the CBA or firms might get tempted to opt for run-down versions without achieving much out of them.

### 7.3.2 Covert Legitimation

Unlike the overt tactics discussed above that firms use to publicly seek widespread acceptance, covert tactics are meant to avoid any form of controversy or social contestation. The extreme avoidance strategy that was discussed in the fsQCA findings section (Chapter 5) is one such form of covert legitimation. The assumption from the firm’s perspective is that there is already a widespread community acceptance or it can choose a community where the likelihood for widespread acceptance is greater, and then the tactic is to ensure that the presumed acceptance is not jeopardized. *Extreme avoidance strategy*, discussed in the fsQCA findings section (5.3.2), is a passive tactic in the sense

that the firm is *opting out* of the possibility for publicly sharing information related to the firm's activities. However, other forms of covert legitimation tactics are more active in the sense that firms are *opting in* to carry them out. Some of the covert legitimation tactics came to light because of leaks to media outlets or investigation by opposing stakeholders. These revelations led to further blowback and highlights the dangers of employing covert tactics. Covertness can be considered a form of deception.

Firms may be motivated to deceive external audiences for multiple reasons. Phillips and Kim (2008), in their study of early jazz markets, consider pseudonyms as deceptions by firms that were already established before the advent of jazz to overcome two types of identity threats: "(1) their association with profitable, but illegitimate products and (2) actions of newer entrants that blurred the incumbent firms' identity" (p. 481). The profitable but illegitimate product in their case was the so-called *lowbrow jazz*, "typified by African-American and Creole musicians in smaller improvisational groups" (p. 482). Thus, works of "Louis Armstrong and His Savoy Ballroom Five" was sold under the pseudonym of "Eddie Gordon's Band"!

Selling Louis Armstrong's works under a pseudonym may not be unethical but Kilduff, Galinsky, Gallo, and Reade (2015) in their experimental design considered deception as a form of unethical behavior when it came to extreme rivalry among competitors. In their experiments (study 2), the "dependent measure involved a choice between telling the truth and telling a lie for purposes of self-gain" (p. 24). For Crilly, Hansen, and Zollo (2016) in their study of corporate sustainability, deception is a form of decoupling between actions and statements. Through their analysis of language structures, they sought to answer the question "Can firms deceive their stakeholders, by failing to deliver on their commitments to undertake sustainability practices without being detected?" (p. 705). A faithful implementation is indicated by "exclusive language (a category of words consisting mainly of conjunctions, prepositions, and negations, such as 'versus,' 'but,' 'only,' 'not,' 'if,')", and deception is indicated by inclusive language (a second category of words, mainly conjunctions, prepositions, and some adverbs, including "and," "additionally") (p. 711).



Thus, covertness and the intentional deception associated with it can span the entire spectrum from ethical (selling Louis Armstrong recordings) to unethical (outright lying). To capture this range of covertness and its associated deception, I next present each of the firm covert legitimization tactics (location choice, push polling, and astroturfing) in order of an increasing scale of “questionable tactics.”

### 7.3.2.1 Location Choice

Location choice in the form of explicitly choosing certain locations with the expectations that the local community will not contest the project is an active strategy but can be demonstrated with varying degrees of covertness. In some instances, firms openly acknowledge that this choice of location was a part of a deliberate decision-making. For instance, speaking at an industry conference in Houston in 2005, Steve Lawless, manager of LNG stakeholder relations and permitting for ConocoPhillips, said that, “a site should be as invisible as possible.” He went on to describe the Freeport LNG terminal, in which Conoco had obtained capacity, in the following manner: “The area has a small population and is heavily industrialised. Introducing a new LNG terminal in that environment caused little cultural disruption to a community already accustomed to chemical plants.”

In my dataset, while there were some instances of such open admissions and some instances of industry experts speculating avoidance of community contestation as a reason for location, this tactic was often covert because firms did not publicly proclaim that the choice of location was based on a calculation of zero contestation. In certain cases, the regulatory filings by the project contained sections where alternative terminal locations were discussed and it became apparent that the chosen location was expected to pose little community contestation. In other instances, the need to avoid community contestation became apparent when taking into consideration the location’s lower economic viability and competitive dynamics (other more advanced LNG terminal proposals in the proximity).

So it is possible that firms can combine social aspects with economic aspects when making resource decisions such as location choices (Oliver, 1997). The tricky part though is that not all firms are capable of managing the social aspects as well as they manage the

economic aspects. For instance, Bradwood Landing LNG terminal in Oregon explicitly chose a site because of its remoteness. As Gary Coppedge, vice president of permitting and development for Northern Star, explained during the announcement of the project: “We were looking for a site that was very remote and that had easy access to the market, but our primary concern was the safety.” In spite of a careful location choice, the firm faced unanticipated high levels of sustained contestation. This incomprehensibility and unpredictability of community contestation is also evident in the study of Walmart store proposals by Ingram et al. (2010). One would expect that a firm with the kind of experience and capability that Walmart has would have been better prepared to predict community contestation. However, Ingram et al. (2010) find that Walmart uses store proposals as a probe to assess whether the community would actually protest a store opening.

Location choice can be a good avoidance strategy provided that the firm has the capability to comprehend and predict future community reactions. However, for location-constrained industries such as LNG import terminals, the number of locations to choose from is often limited. The firm will also likely be making a trade-off between future cash flows and a smoother entry without community contestation. So location choice based on more favorable social conditions at the cost of less favorable economic conditions may not always be perceived as the most viable strategy.

### 7.3.2.2 Push Polling

Push polling is a tactic whereby the firm employs an external agency to conduct a disguised survey with leading questions that makes the LNG terminal look beneficial. These covert tactics often go undiscovered but when they are discovered, as in the case of the Bradwood Landing LNG terminal, the community can feel betrayed and this tactic might lead to the opposite effect of what it was intended for. NorthernStar Natural Gas, the sponsoring firm of the Bradwood Landing LNG terminal, employed Portland-based polling company RDD Field Services to elicit opinions from local residents who were planning to participate in a referendum for approving the pipeline route to the proposed terminal. An investigation by the local newspaper, *The Daily Astorian*, brought forth some of the “push polling” aspects of this telephonic survey:

Several county residents who told pollsters they planned to vote “no” on the measure were given a list of reasons to support LNG: increased tax revenue, job creation, cheaper natural gas and salmon population enhancement. Then they were asked if they would change their vote on the ballot measure.

Coughlin and others [local residents] who took the poll said the statements detailed many specific benefits of the Bradwood project, including the number of construction and permanent jobs the facility would require and the amount of tax revenue the project would generate in the county. The poll included a few less specific statements attributed to project opponents about the gas from the LNG terminal in Oregon going to California and the potential safety hazards of LNG.

On one hand, push polling can be considered as an exercise in informational brokerage where the polling company is transferring information of the benefits of the projects from the firm to the community. However, as Burt (2007: 119) noted “secondhand brokerage—moving information between people to whom one is only connected indirectly—often has little or no value.” The risky aspect of such tactics is that it can quickly become perceived as a deception, as was the case with Bradwood Landing’s illustration above.

### 7.3.2.3 Astroturfing

The bankruptcy filing of NorthernStar Natural Gas Inc. indicated that it owed \$76,000 to Energy Action Northwest, which was a pro-LNG NGO that openly supported NorthernStar’s Bradwood Landing LNG project. While the support of Energy Action was overt, its linkage with NorthernStar was covert and came to light only because of the bankruptcy filings. Scholars have used different terms to describe such firm tactics, including *astroturfing* (Kraemer, Whiteman, & Banerjee, 2013), *corporate-sponsored social activism* (McDonnell, 2015), *countermovements* (Ingram & Rao, 2004), and *grassroots lobbying* (Walker, 2012). These terms are not perfectly interchangeable as there are some differences in the way the firms actually implement these tactics. For instance, Rao, Morrill, and Zald (2000) distinguish between *countermovements* and *astroturfing*, by characterizing countermovements as a form of identity theft that “emulate[s] organizations founded by its opponents” and astroturfing as a more covert form “in which environmental ‘grass-roots’ organizations are funded by corporations as a

strategy to inject more moderate environmental ‘concerns’ into a political process” (p. 266). While the degree of covertness may vary between these tactics, the ultimate goal is to mirror the activists opposing the firm and to demonstrate that other citizens at the grassroots level do not share the opinions of the firm’s opponents. Most of the times, such a groundswell of community support for the firm is just an orchestrated myth because it is an “artificially induced grassroots activism” (Etzion, 2007: 654).

### 7.3.3 Overt Delegitimation

In this thesis, I introduced the notion of *negative personal claims rhetoric* that is used to dissuade or counter stakeholders directly by pointing toward their negative attributes. See the detailed discussion of the negative personal claims in previous sections—3.5.1.3 for clues provided by extant literature, and 6.4 for anecdotal evidence from other contexts outside the LNG industry. Negative personal claims rhetoric is very high on the overtness dimension as it is a publicly visible and unambiguous expression of the firm’s sentiment towards its detractors. Using negative personal claims rhetoric as an ideal type for comparison I was able to identify two other firm actions that can be considered as expressions of overt delegitimation.

#### 7.3.3.1 Legal Action and Appeals

Legal action and appeals can be used by firms to explicitly dissuade certain stakeholders from using existing laws by either filing a lawsuit or using a legal appeals process to supersede any agency at the local level. For instance, Baltimore County enacted a new county zoning rule that would have prevented AES Corporation from building its proposed Sparrow Point LNG terminal. In response, AES filed a lawsuit in a federal court, arguing that the local zoning ordinance was superseded by the Natural Gas Act that gave the FERC the sole authority for approval of the LNG terminal. As Kent Morton, project director for AES, described, “the county’s zoning rule is in conflict with federal rules because it deals specifically with LNG terminals. The law carves out an exception that bans LNG in an otherwise industrial area. It’s strictly a matter of law.”

Legal actions by stakeholders and legal costs incurred by firms are considered to be deterrents for certain firm behaviors. Eesley and Lenox (2006: 772) argue that civil suits

“will have an increased chance of the firm yielding to a requested change because of the direct risk of financial losses imposed by a credible third party (the judiciary).” Bartley and Child (2011) in their study of the anti-sweatshop movement consider lawsuits’ secondary damages because of the impact they have on investors and other “evaluators of corporate reputation” as they “may be more sensitive to campaigns that include lawsuits because they introduce the risk of concentrated damages and undermine perceptions of the firm’s legal propriety” (p. 431).

Also recognized by extant literature is that lawsuits are arenas for “elite participation” (den Hond & de Bakker, 2007: 911) where “who is authorized to participate in the legal process reflects who has a voice in determining institutional norms” (Hoffman, 1999: 354). The LNG context of this thesis provides an extension of this elite participation perspective. As the example above indicated, legal actions and legal appeals initiated by the firms sponsoring LNG terminals were often used to circumvent community opposition, especially when they co-opted the local political and government entities. In this form, legal actions and appeals can become tactics for overt delegitimation that denies certain stakeholders a right to participate in the evaluation process.

### 7.3.3.2 Third-party Attacks

Firms can engage a third party to attack a contesting stakeholder instead of directly attacking them. Oftentimes these third parties are interest groups such as industry associations that represent the firm’s industry or industry/trade associations that benefit from the firm’s economic activities. So there is a clear and visible linkage with the firm but the degree of overtness is not as high as negative personal claims rhetoric that the firm itself uses. For the LNG industry, there was no clear representative industry association because of the diversity in the kind of firms that participated in the import terminal proposals, including upstream oil and gas (O&G) giants such as Chevron and Conoco; smaller independent O&G firms such as Cheniere Energy; construction and engineering firms such as Cianbro; downstream consumers of natural gas such AES Corporation; and many entrepreneurial and startup firms. The Center for LNG (CLNG) purported itself as the representative industry association but Cheniere Energy, which had one of the greatest number of LNG import terminal proposals, left the group in 2006.

Explaining this decision, Stan Horton, Cheniere Energy's chief operating officer, stated, "The Center for LNG's positions on issues affecting the nascent North American LNG industry differ in many cases with those held by Cheniere Energy. In an effort to maintain a consistent message to our stakeholders, we have terminated our membership in the organization."

In the context of my study, oftentimes, the third-party attacks against the firm's detractors were carried out by local trade unions that were hoping to gain jobs because of the terminal proposals. This tactic did not have the same weight as the firm's negative personal claims because these third-party attacks were often only reported second-hand in the local media, when the firm's spokesperson mentioned the attacks in their rhetoric. Thus, a collective identity formation may not only be necessary for the legitimation of an emerging sector (Clegg, Rhodes, & Kornberger, 2007; Wry, Lounsbury, & Glynn, 2011) but might also be useful in the overt delegitimation of certain detractors.

#### 7.3.4 Covert Delegitimation

The *negative topical claims* explored in my main analysis can be considered as a weak form of covert delegitimation because they seek to counter the issues raised by the stakeholders. Also, since it is a publicly visible discourse, it is not completely covert. The covertness dimension is evident only when we compare negative *topical* claims with negative *personal* claims, which are far more direct in targeting the stakeholders. The covertness of negative topical claims rests on an assumption that they share the same intent as negative personal claims, discrediting the opposing stakeholders, but do so in an indirect manner. Stronger forms of covert delegitimation tactics are explored by the Corporate Political Activity (CPA) literature (Hillman & Hitt, 1999; Lux, Crook, & Woehr, 2011). I consider CPA as delegitimation tactics because they explicitly seek to exclude certain stakeholders from the evaluation process. Even though there is much talk in popular press about the undue influence that firm's exercise through CPA, the discourse tends to remain at a generic level and very rarely are specific firms mentioned and even rarer are mentions of specific circumstances of these firms. I consider CPA tactics of specific firms as covert because for most part they are hidden from public scrutiny unless an activist or a media outlet decides to dig deeper. For instance, in my

dataset there is LNG import terminals related lobbying data for 14 different firms, many of whom were sponsoring multiple proposals. However, media articles related to only 3 projects mentioned in the passing about lobbying by the project or hiring a lobbyist or indicated someone to be working as lobbyist for the project. Based on the empirical data from the LNG import terminal context, I discuss two main types of these CPAs used as covert delegitimation tactics – Lobbying and Political linkages.

### 7.3.4.1 Lobbying

Lobbying is a covert tactic because it is often not immediately apparent, and although federal lobbying data are collected by the FEC, these data are often not immediately available, and when they are available, are often not easily accessible to the general public. The details of the actual issues that are lobbied for are also not easily available. For instance, the following are some of the descriptors used in the lobbying data for LNG terminals.

**Table 7: Details Provided in Lobbying Data**

<b>Firm (Project)</b>	<b>Issue descriptor</b>
BP (Crown Landing Terminal)	“Construction of a liquefied natural gas terminal in southern New Jersey”
Bradwood Landing	“To amend the Natural Gas Act to modify a provision relating to the siting, construction, expansion, and operation of liquefied natural gas terminals”
Sound Energy Solutions	“All federal issues related to the development of a liquefied natural gas terminals”

Lobbying is a delegitimation tactic because it seeks to undermine the participation of the community members in the regulatory evaluation process and “aims to influence public policies by gaining politicians’ support for the firm’s favored policy positions” (Choi, Jia, & Lu, 2015: 160). However, the impact of lobbying is not always easy to discern except in some instances. For instance, Richter, Samphantharak, and Timmons (2009) find that lobbying has some influence in reducing effective tax rates; and Kang's (2016) analysis of lobbying to influence energy policies in the 110<sup>th</sup> US congress indicates that while lobbying may only marginally increase the probability of successfully getting a policy

through, the returns are very high when they succeed in getting the policy through. Choi et al., (2015: 160) attribute the effectiveness of lobbying to two key concepts – a) entry points: “policymakers who are sympathetic to the firm’s preferred policy stance” and b) veto points: “have the represented policies eventually prevail in the policymaking arena, which depends on the constraints that individual policymakers face when attempting to make policy changes”. So while firms can actively find policymakers sympathetic to their cause and willing to advance the firm’s interests, it might be difficult for these policymakers to publicly side with the firm when there is intense community contestation.

#### 7.3.4.2 Political Linkages

Political linkages between firms and elected officials has been studied in CPA literature in many forms including Campaign financing, and revolving door policy. Even though campaign financing (monetary contributions towards a political election campaign) is easier to discern, it is not a straight forward indication of political linkage. There are limits to how much direct or indirect contributions can be made and the contributions by one particular firm is likely to be just part of larger set of political contributions, with some of the contributions made by opposing interest groups. However, campaign financing is still an interesting source for understanding political linkages when we consider changes in patterns of a firm’s contributions. For instance, after Calypso LNG terminal was proposed by SUEZ of the Florida coast, the local newspaper the Sun-Sentinel carried a news item on the campaign contribution made by the firm. The first line of the article described the situation thus - “the Houston-based company whose plan to build a liquefied natural gas terminal and pipeline off the Fort Lauderdale coast is sparking opposition has introduced itself to key Florida politicians - with campaign contributions”. Julie Vitek, vice president of communications at Suez, admitted that it "is one way for us to connect with the elected officials in areas where we have an operating presence or hope to have one. It provides us with an opportunity to introduce ourselves, build relationships and share information.” Another way in which campaign financing by corporations is studied is by lumping it with other types of CPA. For instance, Hadani and Schuler (2013: 171) combine direct and indirect monetary contributions with money



sent on lobbying efforts to create a measure that they term as “Corporate political investments”. They also create a dummy variable termed “Board political service” to “represent the existence of directors with prior public service” (page 171). This variable can be broadly described as a revolving door policy.

Revolving doors (Etzion & Davis, 2008) refers to the practice of hiring politically connected individuals with prior public service experience and is a much stronger indication of political linkages than mere political contributions. It is a revolving door because the movement of individuals occur both ways – from corporations to public services and from public services to corporations. As a covert delegitimation tactic I only consider movement from public services to the corporate world. For instance, Joe Desmond, former chairman of the California Energy Commission, joined NorthernStar Natural Gas, sponsoring firm of Clearwater LNG terminal in California. Broadwater LNG terminal employed the services of former New York Mayor Rudy Giuliani's company, Giuliani Partners, for security assessments. AES, the sponsoring firm for Brewster LNG terminal in Suffolk County, Massachusetts, hired a public-relations firm Regan Communications. Regan Communications team included James Borghesani (spokesman for a former acting Governor of Massachusetts, Jane Swift) and former Suffolk County District Attorney Ralph Martin. These political hires are not exact equivalent to lobbying, even though they can potentially lobby for the firm – so called “revolving door lobbyist” (Vidal, Draca, & Fons-Rosen, 2012: 3731). Political hires can either be part of the firm or they can be contracted to provide advice but their activities are not publicly disclosed. On the other hand, lobbyist need to be registered as such and have to provide some account of their lobbying activities. In this sense revolving door is a lot more covert than lobbying when they are merely political hires and not revolving door lobbyist.

As (Hillman et al., 1999) point out “a variety of benefits may accrue to firms that are successful in creating a linkage with the government: information, access, influence, reduced uncertainty and transaction costs, etc. However, the direct benefits of such strategies are difficult to observe”. Nevertheless, it is clearly a tactic meant to circumvent any publicly visible evaluation processes and to exclude potentially problematic

stakeholders from such an evaluation process. Hence I consider actions oriented towards creating political linkages such as political contributions and revolving door policies as covert delegitimation tactics.

## 7.4 Future Research Directions

“a signalman may have to handle several trains coming to his section simultaneously. To handle any one by itself would be straightforward, but here the problem is the control of them as a complex whole pattern”.

- Ashby (1957:218)

Firms in the LNG industry faced a complex regulatory system. The main part of the thesis focused on one particular element of a regulatory system—the federal regulatory agency, which has the sole authority to approve the LNG terminal proposals. While the federal regulator has the ultimate deciding power over the proposals, other elements of the regulatory system working at different levels (state or federal) can impact the firm directly or indirectly and to varying degrees. Firms face direct impacts from the executive wings of the regulatory system and face indirect impacts from the legislative wings, which enact the policy, while the actual implementation is carried out by the executive wings of the government. Even when community contestation is unable to stop a firm from gaining approval, it can throw other hurdles that can either delay the process or make the project less viable even after gaining the approval from the federal regulator. The above repertoire of actions can be viewed as stemming from the need to engage stakeholders in some instances and exclude them in other instances as the firm teeters and totters its way around a system of regulatory processes.

My future work will attempt to delineate the prominent reaction when a firm faces multiple demands from the regulatory system. I will utilize recent works on institutional complexity as a starting point for furthering the theoretical implication of this typology. However, I deviate from the current emphasis in institutional complexity literature in two major ways: a) instead of viewing complexity as occurring from competing institutional logics, I shift towards complexity as occurring due to competing institutional jurisdictions; b) instead of a merely looking at legitimation tactics, I consider complementary delegitimation tactics from firms facing institutional complexity.

### 7.4.1 From Competing Logics to Competing Jurisdictions

Recent efforts to understand firm behavior in response to institutional complexity has almost made competing institutional logics to be synonymous to institutional complexity (see for example, Almandoz, 2014; Dalpiaz, Rindova, & Ravasi, 2016; Greenwood et al., 2010; Lee & Lounsbury, 2015). For instance, consider the following line from Toubiana and Zietsma (2016: 3) in a forthcoming AMJ article – “This is particularly true when organizations face competing prescriptions from different institutional logics, a situation known as institutional complexity”. Even a call for papers in the journal *Strategic Organization* that was dedicated towards “Strategic Responses to Institutional Complexity” (Vermeulen, Zietsma, Greenwood, & Langley, 2014: 79) had four different avenues for studying institutional complexities and all of these were connected with institutional logics.

Thornton and Ocasio (1999: 804) considered institutional logics as “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality”. It provides “a link between individual agency and cognition and socially constructed institutional practices and rule structures”(Thornton & Ocasio, 2008: 101). Situating the behavior of individuals and firms within a broader societal belief system and frame of reference has a somewhat natural scholarly allure to it because of its ability to capture social life as we as scholars ourselves experience it. However, it is possible to generate interesting theoretical insights without necessary equating competing logics with institutional complexity. For instance, Hoffman (2011) advances the notion of *logic schism* to explain the polarization of climate change debate around convinced logics and skeptical logics and how it creates a “shift from an integrative debate focused on addressing interests, to a distributive battle over concessionary agreements with each side pursuing its goals by demonizing the other” (page 3). Hoffman (2011: 9) argues that such logic schisms imply that the “two sides are not so much competing as they are talking past one another”. Thus competing institutional logics in this extreme manifestation are not really a source of complexity for

any of the actors involved but rather they are boundaries that “define clear in-group and out-group distinctions”.

On the other hand, institutional complexity can be framed without a decisive and unquestioning recourse to conflicting institutional logics. For instance, Chandler (2014) considers institutional complexity as “characterized by forces that ebb and flow in wavelike patterns as societal expectations evolve, with attention coalescing around specific events and then dissipating”. Complexity in such circumstances arises because of the need to keep up with evolving societal preferences and not just those that are in conflict. Using the context of multinational enterprises, Kostova and Zaheer (1999) advance the notion of institutional complexity based on two dimensions: “first, institutional environments are fragmented and composed of different domains reflecting different types of institutions: regulatory, cognitive, and normative. Second, MNEs conduct operations in multiple countries that may vary with respect to their institutional environments and, thus, are exposed to multiple sources of authority”. This points towards complexity arising from multiplicity in the institutions that place concurrent demands on the firms but these institutions need not necessarily operate with the underlying institutional logics in a state of conflict.

The institutional complexity due to the influence of multiple institutions is best captured by “the theory of institutional polycentrism, which suggests that institutions originate from multiple (poly) rule-setting centers such as governments, associations, and communities” (Batjargal, Hitt, Texas, Jiao, & Webb, 2013: 1025). This clearly indicates a shift from competing logics to competing jurisdictions. For instance, Luo, Wang, and Zhang, (2016) consider the competing demands between provincial and central governments in China that create complexity for firms trying to report their CSR (corporate social responsibility) activities. Because of the multiple entities involved in the regulatory system that I consider in the LNG context, the level of complexity facing the firms is much greater than the one considered by Luo et al. (2016). Designing studies with two governing institutions may be driven by the needs of econometric analysis but as Elinor Ostrom (2010: 2), argued in her Nobel prize acceptance lecture : “due to the complexity of broader field settings, one needs to develop *more configural approaches* to

the study of factors that enhance or detract from the emergence and robustness of self-organized efforts within multilevel, polycentric systems” (emphasis added), Her insight will be my guiding principle as I advance this line of work.

#### 7.4.2 Legitimation AND Delegitimation

Extant theories in organizational and management research, including research on institutional complexity, have an overwhelming focus on legitimacy (Überbacher, 2014). Institutional theory predicts the various symbolic and decoupling measures that organizations adopt in an attempt to gain legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Stakeholder theory predicts that firms will yield to pressures from powerful and legitimate stakeholders with urgent claims (Mitchell, Agle, & Wood, 1997). Resource dependency theory (RDT) indicates that the power emanating from the control of critical resources will force organizations to seek legitimacy from these powerful others (Pfeffer & Salancik, 1978). Research on categories indicates that since there are “penalties for illegitimate role performance” (Zuckerman, 1999), firms tend to conform to the expectations of the category decided by a powerful audience or critic. The application of these principles often reduces to treating legitimation as restrictive form of the evaluation process whereby firms are allowed only to recognize when to yield, how to yield, and whom to yield to. These conceptualizations render firms powerless in determining who participates in the legitimation process.

As Lamont (2012: 205) points out, evaluation is a social and cultural process that involves “negotiation about proper criteria and about who is a legitimate judge [often involving conflicts and power struggle]” (Bourdieu, 1993). Extant organizational theories consider “Who is a legitimate judge” (Lamont, 2012) as a question for which the answer is not negotiated but is merely discovered. For example, stakeholder theory (Mitchell et al., 1997) considers stakeholder legitimacy and power, and the urgency of claims in order to establish the salience of the stakeholders; however, firms are expected to only recognize these attributes, and cannot negotiate or question them in any way.

The typology introduced above expands the horizon beyond legitimation and along two dimensions. Firstly, I distinguish between covert and overt forms, and secondly, I introduce delegitimation as a contrast to legitimation. For example, negative personal

claims involve a publicly visible expression of the negative evaluation by the firm that directly questions whether the self-appointed judges are indeed legitimate and thus emphasizes the negotiation aspect of social evaluation instead of a taken-for-granted aspect. This typology opens up the black box of the legitimation process by bringing the spotlight on the bi-directional nature of the evaluation process—firms can be evaluators and can also publicly share negative evaluations of the stakeholders. This is especially likely in circumstances where firms face institutional complexity due to polycentric governance (Ostrom, 2010). Hence, this typology explicitly shies away from assuming that stakeholders are legitimate in an absolute sense because of some de facto, extraneous, and widely understood social norm.

## Chapter 8 – Conclusion

### 8 Conclusion

The richness of the LNG industry context was both a boon and a bane. It was a boon because, as a management and organizational scholar, the number of theoretical threads I could unravel from its intricate fabric was worthy of intellectual drooling. It was a bane because bringing the topic under control for generating a focused theoretical insight would have meant a deliberate alienation of many potentially interesting areas of inquiry. In spite of this challenge, I tried to be as inclusive as possible by undertaking an integrative pathway that was aided by a set-theoretic (fsQCA) methodological orientation. This allowed me to address the primary research question of this thesis: *how firms tailor their rhetorical strategies to community-level market entry conditions, and how do these strategies affect entry outcomes?* On the other hand, Chapter 7 was an acknowledgment that, in spite of this measured inclusiveness, there are many insights from this thesis that will keep me occupied for the next several years as I try to address a much broader research question: *how do firms try to overcome community contestation in their efforts to succeed in their market entry process?* Hence, I promote this conclusion chapter as not an ending but an appraisal of what I have been able to achieve thus far and an assessment of the landscape that lies ahead.

As this is an exercise in reflection of my scholarly work thus far, I am inclined to borrow concepts from researchers studying – “work as a practice”. In their summarization of the practice theory, Feldman and Orlikowski (2011: 1242) advance the notion of “relationality of mutual constitution”, which essentially means that “phenomena always exist in relation to each other, produced through a process of mutual constitution”. Thus the person producing this thesis, the scholarly work that produced this thesis, and the resultant artifact that this document represents are all mutually constitutive and one cannot be separated from the other. I hesitate to share my assessment of the person behind this work but instead I will discuss my assessment of the thesis as an artifact and the scholarly work that I aspire to pursue.

## 8.1 The Artifact

There are three aspects in this thesis that I feel especially excited about because they explore areas that have not received a lot of attention from management and organizational scholars. In the following subsections I will discuss each of these three aspects: a) the notion of “social barriers to entry”; b) social contestation at the community level; and c) repertoire of firm responses to community contestation. I am also looking forward to the prospects of continuing to engage with these three theoretical opportunities.

### 8.1.1 Social Barriers to Entry

Establishing a foothold in a new market requires not only a market entry strategy to overcome barriers to entry but also non-market strategies to overcome social barriers to entry (see section 6.3 for a related discussion). This study explores one such social barrier to entry in the form of contestation from local communities, which can potentially derail the firm’s efforts by leading to regulatory delays or unfavorable regulatory decisions. While much extant scholarship has focused on the barriers to entry due to industry structures (Porter, 1981) and political tactics of incumbents (Fligstein, 1996), little attention has been paid to social barriers to entry at the community level.

Specific locations are not important just for competitive advantages but also for operational startup. The location constraint forces firms to engage in a discursive process because an exit is costly and the alternatives may not be viable. Since it is a proposal and not an operational facility, social contestation occurs mainly on the basis of hypothetical reasoning, which opens up an exciting avenue for investigation. Few studies consider the lead up to operational startup (Sine & Lee, 2009) and thus ignore the perils in establishing a foothold.

My arguments relating to community as a social barrier reflect the “old” institutionalism’s emphasis on community as an institutional influence (Selznick, 1949; Warren, 1967). Recently, however, the “new” institutional literature has witnessed calls to move away from high-level abstractions and start considering (again) communities as



the relevant social context (Jennings, Greenwood, Lounsbury, & Suddaby, 2013; Marquis et al., 2007, 2011).

### 8.1.2 Local Manifestation of Social Contestation

Scholars have considered various aspects of social contestation but mainly in a mature industry setting. In such macro social settings, contestation centers around socio-cultural impacts of certain practices, such as the use of sweatshops (e.g., Lamin & Zaheer, 2012); repeated events that become the realization of worst-case scenarios and fears (e.g., the railway accidents considered by Desai, 2011); deeply embedded moral and cultural evaluations of the products and services that translate into industry stigmatization (Hudson & Okhuysen, 2009; Vergne, 2012); and changing societal concerns such as environmental issues that shape the re-evaluation of firms in certain industries (Elsbach, 1994; Hoffman, 1999).

By locating social contestation at the industry level and thus linking it with broader societal concerns, scholars have not fully recognized that contestation can also occur because of basic human needs and aspirations. As the LNG context of this thesis demonstrates, themes that can become a source of contestation include mortal fear (such as the threat of a terrorist attack on the LNG facility), living standards and aesthetics (often referred to, in a pejorative sense, as NIMBY), recreation (LNG vessels interfering with recreational boating), and food sources (fish larvae being sucked into the regasification system). Hence, studying local manifestations of social contestations highlights the dynamics of contestation centered around every day realities faced by the communities as well as the firms entering them.

### 8.1.3 The Firm's Repertoire of Responses

My main findings indicate that firms draw from a repertoire consisting of three rhetorical tactics (i.e., positive claims, negative topical claims, and negative personal claims) to design non-market rhetorical strategies, which under certain circumstances contribute to regulatory success. This study reorients previous research on rhetoric by switching the emphasis from persuasive tactics, such as positive claims, to dissuasive tactics targeting not only the issues raised by communities but also the detractors themselves. By showing

that none of the four rhetorical strategies leading to regulatory success requires positive claims, my findings do not deny the widespread existence of positive rhetoric, but do raise questions about its effectiveness.

This thesis also provides a framework for further enhancing our understanding of the repertoire of responses available to firms by considering the overt and covert dimensions of these tactics and by considering whether they are intended for legitimation or delegitimation. Specifically, my future research will build on this study to understand the effectiveness of delegitimation tactics by comparing it with the effectiveness of legitimation tactics, which has been largely unquestioned by organizational and management scholarship.

## 8.2 Working in the Middle

My inspiration for the term “The Middle” is from the title of an American Broadcasting Corporation (ABC) sitcom. The show’s website describes the main character, Frankie Heck (played by Patricia Heaton), as “a loving wife and mother of three, she’s *middle* class in the *middle* of the country and is rapidly approaching *middle* age” (emphasis added) ... “sometimes it seems like everyone is trying to get to the top, or struggling not to hit bottom, but we think Frankie and her family will find a lot of love, and a lot of laughs, somewhere in *The Middle*” (original emphasis).<sup>15</sup> While I relate at a very personal level to the character of Frankie, I also find “scholarly happiness” when I am in the middle. This thesis is also a reflection of the middle ground that I seek. Harkening back to the article by Feldman and Orlikowski (2011: 1242) I assess my scholarly work on three fronts: “empirical, theoretical, and philosophical—that relate to the what, the how, and the why”.

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<sup>15</sup> <http://abc.go.com/shows/the-middle/about-the-show>

### 8.2.1 In the Middle of Two Empirical Domains

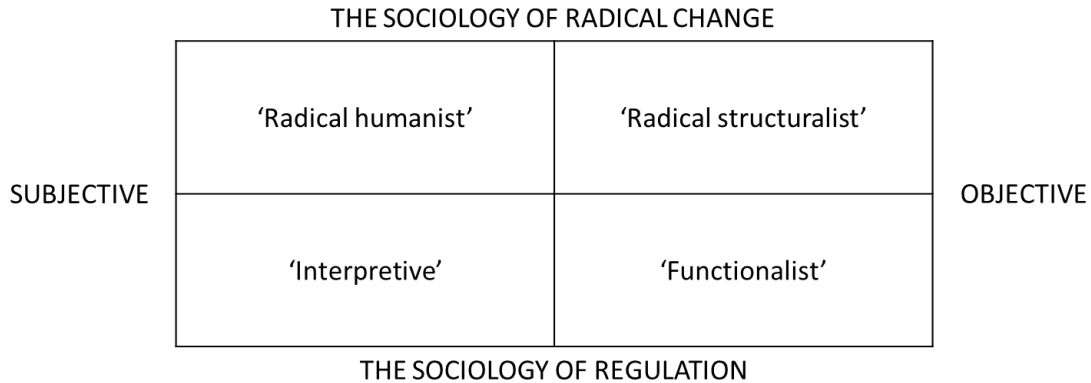
“Organizational rationality thus calls for an open-system logic, for when the organization is opened to environmental influences, some of the factors involved in organizational action become *constraints*; for some meaningful period of time they are not variables but fixed conditions to which the organization must adapt. Some of the factors become *contingencies*, which may or may not vary, but are not subject to arbitrary control by the organization.” (original emphasis)

– Thompson, (1967: 24)

I view conflicts between business and society as an ideal setting to understand the “constraints” and “contingencies” that influence the behavior of firms. Constraints imposed by societal actors tend to persist in many instances, much like the sustained community contestation that I consider, and it is far more difficult for firms to exercise “arbitrary control” over non-market actors than over market actors. This conflict zone is also a reminder that the open-system logic can be reversed and the firm’s activities can be viewed as imposing constraints and contingencies on communities. Arriving at a local negotiated order (Fligstein, 2001) between the community and the firm is not necessarily a forgone conclusion, and a sustained conflict is a very real possibility. Being in the middle of an empirical context that affords such possibilities has already helped me gain theoretical insights on multiple fronts.

### 8.2.2 Theoretical Middle Ground

In one of my first PhD courses, I was exposed to the following depiction by Burrell and Morgan (1979). I was still struggling to make some sense of the words *epistemology* and *ontology*, when I had to figure my bearings on this map.



**Figure 9: “Four Paradigms of the Analysis of Social Theory”, from Burrell and Morgan (1979: 22)**

I have now come to an understanding that this struggle to place myself within a particular quadrant will never end as I seek to integrate theories that have been built on different epistemological paradigms. I’ve also come to terms with the two sides of the epistemology coin: a) “how one might begin to understand the world” and b) how one might “communicate this as knowledge to fellow human beings” (Burrell & Morgan, 1979: 1). The former is an internal struggle to understand how the pursuit of knowledge should be approached, and the latter is an external struggle to keep pace with evolving tools, standards, and fads of the most appropriate ways of representing and communicating this knowledge. In a way I am fortunate that fsQCA is becoming more and more acceptable as such a tool for representation because it also helps me deal with my first struggle, by deliberately bridging the divide between qualitative and quantitative methods. Qualitative and quantitative methods have, in more ways than one, become, respectively, epitomes of the subjective and objective dimensions in the above figure. It is also a tool that is well suited for carrying out theoretical integration as my thesis has demonstrated. The typology I developed in Chapter 7 is also very indicative of my inclination to connect the dots. I will continue to pursue my work by fully embracing this inclination for theoretical integration.

### 8.2.3 Philosophical Middle (er Muddle)

At various points during my thesis work, I found myself oscillating between the community's side and the firm's side of the story. I was often tempted to deceive myself into believing that taking the side of the community would help me achieve a moral high ground. However, what the firms were proposing was not really morally despicable. Often, as in the context of LNG import terminals that were proposed in the U.S., issues involved in the contestation are extremely complex and at times charged with emotion. Certain issues may be so closely linked to the very operation of the industry that conforming to the pressure would be equivalent to quitting. There are also unintended consequences to mere conforming or appearing to conform to pressures. In the case of LNG, multiple other industries rely on the supply of natural gas. Many consumers across the U.S. have suffered because of high gas prices. In the Northeastern United States, demand was driven by colder winters, and in the southern parts, it was driven by summer demands on power generation facilities that were environmentally friendlier than coal based power plants. While the touted environmental benefits of natural gas may not have been completely accurate, it is much cleaner than alternatives such as coal or petroleum. In fact the Sierra Club, one of the largest U.S. environmental NGOs, was a vehement supporter of natural gas but changed its position with the shifts in public perceptions.

I have now come to believe in Hudson and Okhuysen's (2014: 246) argument that "knowledge taboos pose a threat to scholarly inquiry by inhibiting us as researchers through unthinking self-policing." While the authors were referring to studying stigmatized aspects of organizational life, it is possible to think of other instances where knowledge taboos can inhibit scholars from giving due theoretical consideration to certain concepts, especially when they are empirically prevalent. This is not a philosophical preaching of what should be driving a scholarly pursuit but it is more of a "note to self". It is my sincere hope that the complexities of the settings I explore will not drive me towards sanitizing the morality out of those setting but instead I will strive to embrace morality from every perspective, however at odds they may be. This is the tightrope walk and "The Middle" that I will continue to pursue in my scholarly works.

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## Appendices

### Appendix A: Categorization of the Firm’s Rhetorical Responses to Social Contestation

Note: The articles below are order according to the year of publication.

Article	Specific themes	Type of article	Positive claims	Negative topical claims	Negative personal claims
(Sutton & Callahan (1987)	Chapter 11 filing for Bankruptcy	Case studies		Defining and denying responsibility (“top management and the firm are not, or should not be, discredited”)	
Ashforth & Gibbs (1990)	Problematic legitimacy	Theoretical	Espousing socially acceptable goals; protestation of legitimacy (“not sufficient to merely exemplify desirable qualities: It is necessary to promote them”)	Redefining means and ends (“frame an issue in terms of other values that are seen as legitimate”)	
Oliver (1991)	Institutional processes	Theoretical	Manipulate	“Defiance: dismiss (ignoring explicit norms and values); challenge (contesting rules and requirements)”	Defiance: “Attacking organizations strive to assault, belittle, or vehemently denounce institutionalized values and the external constituents that express them”

Article	Specific themes	Type of article	Positive claims	Negative topical claims	Negative personal claims
Marcus & Goodman (1991)	Crisis	Hypotheses testing		Defensive signals	
Elsbach & Sutton (1992)	Controversial and possibly unlawful actions	Case studies	Enhancements and entitlings (“to highlight the positive changes ... and to claim credit for these changes”)	Justifications and defenses (“of innocence to reduce negativeness of the event and the organization”)	
Elsbach (1994)	Controversial events	Mixed methods	Acknowledgments linked to technical characteristics	Denials “linked to institutional characteristics”; denials “linked to technical characteristics”; acknowledgments “linked to institutional characteristics”	
Elsbach, Sutton, & Principe (1998)	Avert undesirable responses to upcoming events	Case studies	Accommodating (favors/positive self-characterizations)	Bureaucratic	Intimidating (threats)
James & Wooten (2006)	Discrimination lawsuits	Multifirm qualitative analytic	Change efforts	Denial; process retaliation “firms demonstrated uncooperative behavior and found ways to manipulate the lawsuit proceedings”	Plaintiff retaliation (“firms harassed or threatened their accusers”)
Maguire & Hardy (2009)	Widespread, taken-for-granted practices of DDT use	Case study	“Countering problematization of efficacy directly, i.e. asserting effectiveness of DDT.”	Defending the cognitive pillar (“used science to challenge the factual basis of the problematizations”); defend the normative pillar (extend the defense of cognitive pillar;	

Article	Specific themes	Type of article	Positive claims	Negative topical claims	Negative personal claims
				use ethical arguments); defend the regulative pillar (extend the defense of cognitive and normative pillars; no legal basis)	
Desai (2011)	Railway accidents	Hypotheses testing	“assert that organizations in the field perform more reliably than organizations in other fields”; “communicate gains made or planned in the industry”	“place blame for accidents or poor safety performance on actors or forces outside of organizations in the field”	
Patriotta et al., (2011)	Nuclear accident	Case studies	“political actor able to contribute to solving the problem of energy”; green rationale	“industrial ‘test of worth’ to define the problem, attribute causes, and defend itself”; “maintain that any assertions not based on analytical grounds lacked credibility”	
Lamin & Zaheer (2012)	Industrial practice (international sweatshops)	Hypotheses testing		Denial (dismissal of the allegation); defiance (“firm challenges the assertion that it needs to take additional action and forcefully questions its portrayal as an unsympathetic or ‘bad’ ecompany”)	
Zavyalov a et al., (2012)	Wrongdoings (product recalls by U.S. toy companies)	Hypotheses testing	Statements of ceremonial actions (“do not directly address the cause of a recall but	Statements of technical actions (“actions that are perceived as addressing the problem of	

Article	Specific themes	Type of article	Positive claims	Negative topical claims	Negative personal claims
McDonne II & King, (2013)	Consumer boycotts	Hypotheses testing	<p>instead highlight positive characteristics of a firm”)</p> <p>Prosocial claims (“expressions of the organization’s commitment to socially acceptable norms, beliefs, and activities”)</p>	manufacturing and selling defective toys”)	

## Appendix B: Summary of Research Utilizing Qualitative Comparative Analysis (QCA)

*Key: AJS (American Journal of Sociology); AMJ (Academy of Management Journal); ASR (American Sociological Review); JOMS (Journal of Management Studies); SMJ (Strategic Management Journal)*

Note: The articles below are order according to the year of publication.

Article	Jou rnal	Phenomenon/ Theory/RQ	Outcome	QCA's Purported Utility
Amenta, Carruthers, & Zylan (1992)	AJS	Political mediation model of the Townsend Movement during the Great Depression	State-wise success in implementation of old-age pension	“examines many combinations of potential causes and generates the simplest combination of them leading to outcomes of interest” ... “more than one path to public spending and that QCA can locate these paths”
Chung (2001)	JO MS	Comparison of market-centered theories, culturalist perspectives, and the institutional approach to explain the emergence of business groups in Taiwan	Business group formation	“Rather than ‘decompose’ a case into variables, the Boolean approach juxtaposes elements of cases into causal combinations (or conditions) to explicate the outcome”
Cress & Snow (2000)	AJS	“systematic understanding of movement outcomes by analyzing how organizational, tactical, political, and framing variables interact and combine”	“differences in the outcomes attained by 15 homeless social movement organizations (SMOs) active in eight U.S.	“conjunctural in its logic, examining the various ways in which specified factors interact and combine with one another to yield particular outcomes. This increases the prospect of discerning diversity and identifying different pathways that lead to an outcome of interest and thus makes this mode of analysis especially applicable to situations with complex patterns of interaction among the specified conditions. In addition, QCA simplifies analysis by dropping irrelevant factors.”

Article	Journal	Phenomenon/Theory/RQ	Outcome	QCA's Purported Utility
			cities”	
Hodson & Roscigno (2004)	AJS	“interplay between organizational and job-level practices” as determinants of organizational success and worker dignity	Organizational success and worker dignity	“QCA considers all observed combinations of causal factors and, with its comparative algorithmic logic, eliminates redundant and superfluous information. A key benefit of QCA thus lies in its ability to specify underlying configurations of variables relative to all observed possibilities”; “conjunctural logic makes QCA particularly appropriate for analyses that seek to identify and understand complex patterns of interaction among causal determinants.”
Vaisey (2007)	ASR	“how culture and structure combine to sustain—or inhibit—the experience of community”	“the experience of gemeinschaft, (the we-feeling, the sense of collective self, or the feeling of natural belonging)”	“does not pit variables against each other; instead, it looks at different configurations of the independent variables and compares their relationships to the outcome.” “Though they seem similar, QCA/fsQCA configurations are very different from GLM [generalized linear model] interaction terms. For instance, an ‘AXB’ interaction term would take on equivalent values if A were high and B were low or vice versa. QCA/fsQCA treats these as separate types of cases”
Grant et al. (2010)	ASR	“how do the characteristics of facilities and their surrounding communities jointly shape pollution outcomes?”	Chemical plants’ health-threatening emissions	“treat cases as combinations of attributes and use Boolean algebra to derive simplified expressions of combinations associated with an outcome”; “Even the inclusion of interaction terms in regression does not model causal complexity in the same way as FSA”... “Unlike variable based methods that are founded on the notion of unifinality and seek to estimate a single recipe for all cases under examination, QCA methods explicitly take the idea of equifinality into account, allowing different subsets of cases to produce the same outcome.”
Fiss (2011)	AMJ	Miles & Snow typology of organizational strategic	Organizational performance	“The basic intuition underlying QCA is that cases are best understood as configurations of attributes resembling overall types and that a comparison of cases can allow a researcher to strip away attributes that are unrelated to the



Article	Journal	Phenomenon/Theory/RQ	Outcome	QCA's Purported Utility
		configurations		outcome in question"; "unlike, for example, regression analysis— fuzzy set QCA does not rest on an assumption that data are drawn from a given probability distribution"... "calibration reduces sample dependence, as set membership is defined relative to substantive knowledge rather than the sample mean, thus further reducing the importance of sample representativeness"
Crilly et al. (2012)	AMJ	"firms facing identical [stakeholder] pressures decouple policy from practice in different ways and for different reasons"	Decoupling/implementation	"This view of causality is distinct from that in variable oriented research, which identifies general patterns of association and seeks causes that apply in all contexts"; "the method lends itself to the use of smaller data sets for the purpose of theory elaboration"; "By identifying how effects combine to produce outcomes, fsQCA is particularly appropriate for advancing multilevel theory"; "fsQCA allows for asymmetry between the drivers of decoupling and the drivers of implementation"
Wright & Boudet (2012)	AJS	Emergence (or not) of social movements based on community context	Mobilization or nonmobilization against controversial proposals for large energy infrastructure projects	"examines set-theoretic relationships, generates causal recipes (or combinations of conditions that correspond with the phenomenon), and reduces these recipes to their simplest form"
Bell et al. (2014)	AMJ	"stock market responses to different constellations of firm-level corporate governance mechanisms by focusing on foreign initial public offerings	Price premium	"intended not to isolate the net, independent effects of single explanatory factors on a particular outcome, but rather to identify the combinations of factors that bring about the particular outcome"; "quite effective in evaluating both the number and complexity of alternative paths leading to a desired outcome"; "enabled us to explore the nature of equifinality in terms of the impact of different configurations of firm-level characteristics and mechanisms jointly with institutional factors on

Article	Journal	Phenomenon/Theory/RQ	Outcome	QCA's Purported Utility
		(IPOs)"		the overall process of legitimation"
Bartley & Child (2014)	ASR	Conditions related to structural power and cultural vulnerability that make certain firms attractive targets for activism	Firms targeted by the anti-sweatshop movement	"helps identify configurations and allows for probabilistic tests of causal sufficiency"
Garcia-Castro & Francoeur (2014)	SMJ	"explore theoretically and empirically some of the complementarities, costs and contingencies likely to arise in stakeholder management"	High performance/very high performance	"Set-theory uses set-subset connections rather than correlations between the variables in order to establish empirical links between the conditions... While correlations are based on the covariance of the variables studied, set-subset connections are based on the degree of membership in sets and subsets. If set X is contained in set Y, then X is sufficient for Y. By contrast, if set Y is contained in set X, then X is necessary for Y."
Misangyi & Acharya (2014)	AMJ	Combinations of governance mechanisms	High (and not-high) profitability	"fsQCA takes the perspective that cases are constituted by combinations of theoretically relevant attributes (i.e., governance mechanisms), that the relationships between these attributes and the outcome of interest (i.e., firm profits) can be understood through the examination of subset relations, and thus that the attributes and the outcome are 'best understood in terms of set membership'"
Greckhammer (2015)	SMJ	"Executive compensation and its relation to that of rank and file employees"	High CEO compensation, high worker pay, and high pay dispersion	"it enables disentangling complex interdependencies among countries' institutional dimensions underlying organizational outcomes". "Captures the three elements of causal complexity—conjunction, equifinality, and asymmetry. Conjunction means that attributes may not impact outcomes in isolation from one another. Equifinality implies that alternative attribute combinations may be linked to an outcome. Asymmetry means that the causes for occurrence of an outcome are not necessarily the inverse of the causes of its

Article	Jou rnal	Phenomenon/ Theory/RQ	Outcome	QCA's Purported Utility
				absence and therefore each requires separate theoretical and empirical consideration; it also implies that the presence versus absence of attributes may play different roles in the occurrence of outcomes.”
Joshi, Son, & Roh (2015)	AM J	“sex differences in rewards and performance”	Men (women) receive higher performance evaluation s than women (men)	“Unlike other statistical procedures that rely on significance testing or aim at explaining variance in an outcome of interest, QCA identifies which specific set of causal attributes is common across all cases of an outcome”
Judge et al. (2015)	JO MS	“how imprinting forces interact with strategic choice factors to address organizational capacity for change as a firm moves from private to public firm status”	“organizational capacity for change”	“The main advantage of fsQCA is that it enables the discovery of one or more configurations of cases as combinations of causal conditions, whereby each case is assigned a group-membership score in every causal condition”; “while traditional variance methods require a normal probability distribution of variables, fsQCA makes no such assumption. This makes it more suitable for smaller samples such as the one investigated in this study. Since fsQCA does not assume any kind of probability distribution, outliers are not as much of a concern as in regression analysis”
Vergne & Depeyre (2015)	AM J	Firm adaptation explored using the competing perspectives of cognition and dynamic capabilities	Adaptation (non-adaptation )	“FsQCA relies on logical minimization to identify necessary and sufficient conditions that predict the occurrence and non-occurrence of an outcome (here, adaptation and non-adaptation)”; “fsQCA seeks commonalities and differences across cases sharing the same outcome”; “allow us to identify separately the antecedents of adaptation and of non-adaptation”; “enables an integration of two related literatures by examining complementarities among their core variables, all within a causal framework that does not neglect the qualitative insights obtained from the case studies”
Campbell, Sirmo	AM J	Investor perceptions of merger and	Investor reactions	“One of the core characteristics of fuzzy set theory is that it allows for configurational classifications and judgments based on the

Article	Journal	Phenomenon/ Theory/RQ	Outcome	QCA's Purported Utility
n, & Schijv en (2016)		acquisitions announcements		simultaneous consideration of multiple interdependent factors, in line with our knowledge of how humans process information"; "On the analytical front, these tools provide a unique middle ground between qualitative and quantitative methods"

## Appendix C: Summaries of Cases Used in Fuzzy-Set Qualitative Comparative Analysis (fsQCA)

The following table provides a snapshot of the 41 cases of LNG proposals used in the fsQCA analysis. Subsequently, I provide a brief descriptive narrative of each case. As these descriptive narratives indicate, each individual case has many different factors that can potential combine in different and complex ways to determine regulatory success (or failure). This is exactly the kind of circumstance where fsQCA is most useful and tries to combine the best of both the qualitative and quantitative worlds. Traditional comparative case qualitative research relies on the researcher’s ability to select the most theoretically relevant case studies for comparison. The utility of fsQCA is that it algorithmically partials out the cases that are related to the causal combinations of interest, from all other cases, which can probably be explained by other causal combinations but are not related to the current theoretical focus. Hence, the number of cases that finally make it to the causal recipes in the Findings section is much fewer than the universe described in this appendix. However, by considering the entire set of 41 cases, fsQCA explicitly incorporates the possibilities for other solution pathways and thus provides an equivalent of the control logic of econometric method but at the entire case level (as a bundle of all attributes) and not for individual variables.

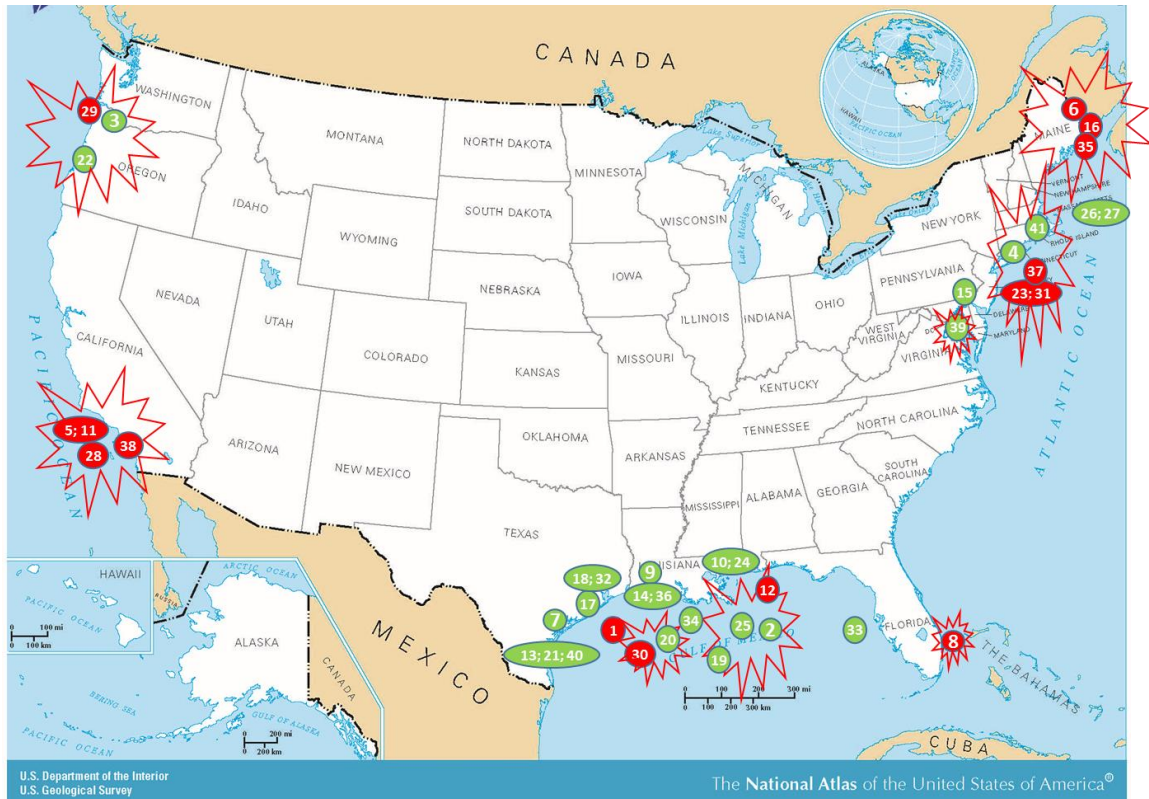
*Key: DEIS (Draft Environmental Impact Statement); FEIS (Final Environmental Impact Statement); BCF/d (Billion Cubic Feet per day)*

<i>Ref</i>	<i>Project</i>	<i>Announce</i>	<i>Applied</i>	<i>DEIS</i>	<i>FEIS</i>	<i>Approval</i>	<i>Size BCF /d</i>	<i>Distance to city/town (miles)</i>	<i>Community</i>	<i>Deep water Port</i>
1	Beacon	19-Jan-05	19-Jan-05	3-Mar-06	3-Nov-06		1.50	56.00	Cameron, LA	Yes
2	Bienville	2-May-05	12-Jan-06	28-Jun-07	22-Mar-10	29-Oct-10	1.40	63.00	Mobile, AL	Yes
3	Bradwood	23-Feb-05	15-Jun-06	17-Aug-07	5-Jun-08	18-Sep-08	1.00	18.00	Clatsop, OR	No
4	Broadwater	9-Nov-04	17-Feb-06	17-Nov-06	11-Jan-08	20-Mar-08	1.00	9.00	Suffolk, NY	No
5	Cabrillo	14-Aug-03	3-Sep-03	29-Oct-04	15-Mar-07		1.50	21.50	Ventura, CA	Yes
6	Calais	29-Aug-05	6-Jan-10				1.50	6.00	Washington, ME	No
7	Calhoun	13-Oct-04	18-Mar-05	30-Jun-06	8-Aug-07	8-Aug-07	1.00	5.00	Calhoun, TX	No

<i>Ref</i>	<i>Project</i>	<i>Announce</i>	<i>Applied</i>	<i>DEIS</i>	<i>FEIS</i>	<i>Approval</i>	<i>Size BCF /d</i>	<i>Distance to city/town (miles)</i>	<i>Community</i>	<i>Deep water Port</i>
8	Calypso	17-Dec-05	13-Oct-06	6-Nov-07	18-Jul-08		0.80	10.00	Broward, FL	Yes
9	Cameroon	12-Jul-01	30-May-02	28-Mar-03	14-Aug-03	10-Sep-03	1.50	13.00	Calcasieu, LA	No
10	Casotte Landing	17-Nov-04	6-Oct-05	20-May-06	26-Dec-06	15-Feb-07	1.30	3.60	Jackson, MS	No
11	Clear-water	18-Mar-03	28-Jan-04				1.40	12.60	Ventura, CA	Yes
12	Compass	29-Mar-04	29-Mar-04	11-Feb-05	14-Apr-06		1.00	11.00	Mobile, AL	Yes
13	Corpus Christi	3-Mar-03	23-Dec-03	18-Nov-04	4-Mar-05	13-Apr-05	2.60	10.60	Nueces, TX	No
14	Creole Trail	23-Nov-04	23-May-05	15-Dec-05	5-May-06	15-Jun-06	3.30	0.00	Cameron, LA	No
15	Crown Landing	3-Dec-03	29-Sep-04	18-Feb-05	28-Apr-06	20-Jun-06	1.20	3.50	Gloucester, NJ	No
16	Down-east LNG	11-Jul-05	23-Dec-06	15-May-09			0.50	3.00	Washington, ME	No
17	Freeport	18-Jun-01	7-Apr-03	6-Nov-03	25-May-04	26-Sep-06	1.50	3.20	Brazoria, TX	No
18	Golden Pass	17-Jun-03	16-Sep-04	3-Mar-05	3-Jun-05	30-Jun-05	2.00	8.70	Jefferson, TX	No
19	Gulf Gateway	20-Dec-02	20-Dec-02	2-Oct-03	5-Dec-03	16-Jan-04	0.50	116.00	Orleans, LA	Yes
20	Gulf Landing	29-Jul-03	3-Nov-03	18-Jun-04	3-Dec-04	29-Apr-05	1.00	38.00	Cameron, LA	Yes
21	Ingleside	30-Jan-04	2-Nov-04	24-Feb-05	10-Jun-05	21-Jul-05	1.00	17.40	Nueces, TX	No
22	Jordan Cove	23-Aug-04	13-Sep-07	2-Sep-08	1-May-09	17-Dec-09	1.00	4.00	Coos, OR	No
23	Liberty	9-Apr-08	28-Sep-10				2.40	15.00	Monmouth, NJ	Yes
24	LNG Clean Energy	20-Oct-04	8-Nov-05	8-Nov-05	24-Nov-06	15-Feb-07	1.30	4.10	Jackson, MS	No
25	Main Pass	19-Jun-03	27-Feb-04	10-Jun-05	9-Mar-06	3-Jan-07	1.00	37.00	Plaquemines, LA	Yes
26	Neptune	14-Feb-05	15-Feb-05	31-May-06	27-Oct-06	26-Mar-07	0.75	10.00	Essex, MA	Yes
27	North-east Gateway	4-Jun-04	13-Jun-05	16-May-06	24-Oct-06	7-Feb-07	0.80	13.00	Essex, MA	Yes
28	Ocean-way	18-Jan-06	18-Aug-06				1.20	21.00	Los Angeles, CA	Yes
29	Oregon	3-Jan-07	10-Oct-				1.00	1.10	Clatsop,	No

<i>Ref</i>	<i>Project</i>	<i>Announce</i>	<i>Applied</i>	<i>DEIS</i>	<i>FEIS</i>	<i>Approval</i>	<i>Size BCF /d</i>	<i>Distance to city/town (miles)</i>	<i>Community</i>	<i>Deep water Port</i>
	LNG		08						OR	
30	Pearl Crossing	25-May-04	25-May-04	18-Apr-05			1.00	40.00	Cameron, LA	Yes
31	Port Ambrose	28-Sep-12	28-Sep-12				0.40	31.10	Monmouth, NJ	Yes
32	Port Arthur	16-Apr-04	15-Mar-05	29-Aug-05	28-Apr-06	15-Jun-06	1.50	5.86	Jefferson, TX	No
33	Port Dolphin	2-Apr-07	29-Mar-07	17-Apr-08	13-Jul-09	19-Apr-10	1.20	28.00	Hillsborough, FL	Yes
34	Port Pelican	15-May-01	25-Nov-02	29-May-03	22-Aug-03	20-Jan-04	1.60	36.00	Vermilion, LA	Yes
35	Quoddy Bay	8-Jun-04	26-Dec-06				2.00	0.50	Washington, ME	No
36	Sabine Pass	6-Dec-01	22-Dec-03	12-Aug-04	12-Nov-04	15-Dec-04	2.60	10.40	Cameron, LA	No
37	Safe Harbor	26-Jan-06	29-Mar-07				2.00	13.50	Nassau, NY	Yes
38	SES	9-Oct-02	2-Feb-04	7-Oct-05			0.70	2.00	Los Angeles, CA	No
39	Sparrows	14-Jan-06	23-Jan-07	25-Apr-08	5-Dec-08	15-Jan-09	1.50	1.00	Baltimore, MD	No
40	Vista DelSol	25-Jul-03	8-Sep-04	17-Dec-04	15-Apr-05	15-Jun-05	1.00	10.00	Nueces, TX	No
41	Weavers	10-Apr-02	30-Dec-03	30-Jul-04	20-May-05	30-Jun-05	0.80	2.20	Bristol, MA	No

The picture below maps the distribution of the terminals. The numbers correspond to the reference in the table above. The green numbers reached the approval stage and those in red didn't. The ~~explosion sign~~ marks proposals that faced sustained community contestation.



## Descriptive Narratives

**Beacon (Beacon Port Clean Energy):** In announcing this project, ConocoPhillips touted its many benefits and its own capabilities, stating, “This state-of-the-art facility will offload LNG from carriers, store and regasify the LNG, then make the natural gas available through a system of pipelines for delivery to consumers in Louisiana and beyond. This terminal is part of a larger effort by ConocoPhillips to meet growing demand for natural gas around the world. The company is developing or has proposed other U.S. regasification facilities in Freeport, Texas, and offshore Alabama. ConocoPhillips has an active liquefaction facility in Kenai, Alaska, as well as others at various stages of development around the world, including Australia, Nigeria, Qatar, Russia and Venezuela.” Beacon did not face any community contestation but was abandoned because Conoco had already signed up for capacity in Freeport and Golden Pass LNG projects, which were in the same Gulf of Mexico region.

**Bienville (Bienville Offshore Energy Terminal):** TORP Technology decided to introduce the HiLoad Technology into the LNG import terminals for the first time in the world through this terminal proposal. Lars Odeskaug, CEO of TORP, described it as “semi-floating L-shaped loading terminal that can dock onto any ship in a similar way as a forklift picks up a pallet” ... “We’re in 525 feet of water and the features on our seawater intakes have been designed to



minimize the impact on the environment. We have designed our seawater filters such that we don't actually suck in marine life." This technology was superior to open-rack vaporizers used by other offshore terminal proposals in the Gulf of Mexico that faced community opposition because of their impact on fisheries. However, the technology was also inferior to the closed-loop systems that used ambient air instead of seawater for converting LNG to its natural state. As a part of the regulatory process, the National Marine Fisheries Service warned that this technology could still be potentially harmful. The Alabama Governor also expressed concerns. TORP decided to modify its design to incorporate these concerns even though doing so meant the process would be delayed.

***Bradwood (Bradwood Landing Project):*** Bradwood was the fourth LNG proposal along the Columbia River in Oregon. CEO William "Si" Garrett, of NorthernStar Natural Gas LLC (the sponsoring firm), indicated that "Bradwood's remoteness makes it safer and other benefits to the site include that it is already zoned for marine industrial and is near the shipping channel." Similar to other proposals along the Columbia River, Bradwood started facing community contestation very early, and the intense contestation was sustained throughout the length of the proposal. Being so far upstream meant that the location was remote but it also meant that the LNG tankers would need to make a longer journey along the river, passing through potentially vulnerable areas such as the Lewis and Clark National Wildlife Refuge. It also meant the river had to be dredged to allow this journey to happen. As one area resident, Robert Pile, put it, "if it goes ahead the natural setting of the lower Columbia would change radically and for all practical purposes forever." Fisheries, especially the salmon habitat, became a big concern, leading NorthernStar to promise a \$59 million remediation fund. It recruited the Lower Columbia Fish Recovery Board and the National Fish and Wildlife Foundation to work with them and identified 150 acres on Svensen Island that it would purchase to implement the remediation. As Gary Coppedge, vice president for permitting and development, indicated, "funds go 'above and beyond' the company's legal requirements to mitigate the impacts of the project."

***Broadwater (Broadwater Energy):*** This proposal was a joint venture between Shell and TransCanada. As Hal Kvisle, TransCanada's CEO, acknowledged, "we were jumping into a frying pan when we chose this site, but we believe it is the closest possible location to the New York and Connecticut markets. New York is at the end of the pipeline network, making the giant market one of the most difficult areas to provide with adequate gas volumes." Even though it was designated an onshore terminal, the actual structure would be in the middle of a water body between New York and Connecticut, called the Long Island Sound. As one of the project

spokesperson, Froydis Cameron, described it, “Viewed from nine miles away on a clear day it is hardly visible, and is blocked by the tip of your thumbnail if you hold it up against your line of vision. Besides, it is designed to look like a ship. Ships are nothing new in New York—the city with an amazing maritime heritage. LNG ships coming into the [Long Island] Sound would simply join the countless others already plying the trades.” The project remained anything but inconspicuous and the companies were really jumping into the fire rather than the frying pan. When Broadwater offered \$15 million in annual payments (in lieu of paying taxes), Philip Cardinale, the Town of Riverhead supervisor, called it “hush money” and “payment in lieu of safety.” The town voted on a resolution opposing the project because of “insurmountable problems relating to safety and security” and “permitting an industrial use in Long Island Sound, a public resource, by a private for-profit entity is bad public policy.” John Hritcko, Broadwater’s regional planning director, was quick to launch a counterattack, stating, “I am a little surprised he is using that terminology. We haven’t been clandestine or underhanded.”... “We are committed to a process of determining the future of Broadwater based upon facts, not conjecture or unfounded assumptions.” When Richard Amper, executive director of the Long Island Pine Barrens Society, described it as “the biggest threat to safety and environment since the Shoreham nuclear power plant 25 years ago,” Broadwater response was, “You have to look at this on a factual basis with knowledgeable people who understand safety and security and who understand these systems, and not to go out and make these sensationalized claims that it’s going to be doom and gloom and harm for the folks on the shoreline.” As the contestation intensified, Broadwater also intensified its use of dissuasive rhetoric.

***Cabrillo (Cabrillo Port/ Cabrillo Deepwater Port):*** Proposed by BHP Billiton in order to become an entry point for its liquefaction projects in Australia, Cabrillo was supposed to provide “a unique and environmentally friendly alternative to meeting the energy and environmental demands of California” because “Natural gas is a more efficient and cleaner burning fuel than coal or oil, and offshore location minimizes social and environmental impacts while providing a safer and less intrusive locale for its operations.” Tim Riley, an attorney in the city of Oxnard, California, set up a website (<http://timrileylaw.com/LNG.htm>) dedicated to fighting this project and even produced a video (<https://www.youtube.com/watch?v=2E0U9q1yFGk>) highlighting the many risks of an LNG terminal. Riley predicted very early on that “The solid opposition in Oxnard that has fought against LNG in the past is stronger than ever and has been reinforced and fortified by new members of our community” and “the Malibu community, whose affluence and influence go without saying, will join our extended coastal communities.” Sure enough, Malibu

Mayor Andy Stern got the council to budget \$50,000 to pay the legal costs in fighting the project. Pierce Brosnan had an opposition letter signed by Barbra Streisand, Cindy Crawford, Martin Sheen, Tom Hanks, Sting, and Charlize Theron. That letter said, “Once built, the terminal will be the length of three football fields, 14 storeys high and will receive, store and process LNG, a highly flammable substance, from huge LNG tankers that arrive at least two to three times a week from various foreign countries.” However, Chip Goodyear, CEO of Goodyear, thought “environmentalists are living in ‘dreamland’ if they think conservation will meet the state’s growing energy needs.” Kathi Hann, BHP spokesperson, also countered, “We’re not in anybody’s backyard. We’re in the middle of the ocean.”... “We chose this spot because it has a coastal pipeline connection already existing that we can hook into.” Cabrillo had its supporters such as Oxnard Chamber of Commerce and it even enlisted Australia’s Prime Minister John Howard to lobby with Gov. Arnold Schwarzenegger. However, because of intense local opposition, both the California Coastal Commission and the California State Lands Commission voted against the project forcing Gov. Schwarzenegger to reject the proposal. Finally, the MARAD (the Maritime Administration, the federal regulator) also disapproved the proposal—the only offshore proposal that was actually disapproved (not withdrawn).

***Calais (Calais LNG Project):*** Calais was initially promoted by BP Consulting (not related to British Petroleum), a private firm formed by Maine State Rep. Ian Emery and Former Passamaquoddy tribal Councilor Fred Moore. Cianbro Corporation (one of the largest construction companies in the U.S.) and the Passamaquoddy tribal government for the Indian Township reservation would be part owners of the LNG terminal. Moore remarked that, “we’re talking about full participation by a Native American tribe because BP Consulting is examining the need for economic development opportunities for native American communities and how that need can be interfaced or meshed with industry.” This did not preempt community opposition against Calais, especially from the local NGO, Save Passamaquoddy Bay, whose spokesman, Bob Godfrey, described it as the “the absolute worst of the three projects” (referring to the two LNG projects proposed before Calais in Washington County, Maine). The proposal ran into initial trouble when Cianbro withdrew its backing but Ian Emery revitalized the project by bringing in Art Gelber, head of Texas-based energy consulting and advisory firm Gelber & Associates. While community opposition persisted, especially with respect to the navigability of the LNG vessels through the St Lawrence Canal, Calais ran into trouble getting project financing. For a short while, they had the backing of Goldman Power (a subsidiary of Goldman Sachs Group Inc.) but that fell through after the 2008 financial crisis. Apparently Goldman Sachs had already spent \$24

million on the proposal before its exit. Finally, in 2012, the FERC disapproved the project stating, “your continued inability to secure either financing or a site for the project is evidence that you are not currently in a position to proceed with this project.” This was one of the two onshore projects (along with Quoddy) that were actually dismissed.

***Calhoun (Calhoun LNG):*** It was proposed by Gulf Coast LNG Partners, a privately held firm, and Haddington Ventures, next to an industrialized zone. There were multiple industrial facilities nearby that could be potential customers for natural gas and was also very close to a major natural gas pipeline corridor. It faced only isolated incidents of community opposition.

***Calypso (Calypso Liquefied Natural Gas Deepwater Port):*** Proposed by SUEZ Energy North America (SENA), this offshore terminal was supposed to have “marine offloading buoy and anchoring system that will reside approximately 150 feet below the ocean surface when not in use. It will connect to an undersea pipeline operated by another SENA subsidiary, Calypso U.S.” Zin Smati, President and CEO of SENA, promoted that the project thus: “The overwhelming feedback we have received from Florida customers is that they need additional, LNG-based gas supplies and they need them as soon as possible. It is our intention to meet our customers’ needs and be the first supplier of natural gas directly into the southeastern Florida market derived from LNG... We believe our Calypso project is consistent with Governor Bush’s call for fuel diversification as outlined in his comprehensive 2006 Florida Energy Act.” Apart from the typical issues of safety, environmental concerns, fossil fuel, and fisheries that other offshore projects faced, Calypso also faced some local flavors of these concerns. Pedro Monteiro, Sierra Club Broward Group conservation chair, said, “Judging by the number of oil rigs destroyed or adrift due to Katrina, the industry does not appear to be able to make their structures stand up to the increasing number of hurricanes. I have concerns about how Suez will bring the gas to shore, and how they will ensure that the pipeline will not break free and sweep the seafloor.” There was mounting pressure on Florida Gov. Charlie Crist to reject the project with residents urging him in town hall meetings, stating, “We want him to know we don’t want something in our community which is potentially dangerous, subject to terrorist attack, potentially going to damage not only our beaches and waters but our homes. If there is an explosion we will be annihilated.” After Gov. Crist expressed his concerns, Calypso withdrew from the project.

***Cameron (Cameron LNG/Hackberry LNG Terminal):*** This was initially proposed by Dynegy as Hackberry LNG, but because of its financial troubles, it sold the proposed project to Sempra Energy just after the project had received its Draft Environmental Impact Statement (DEIS).

Sempra renamed the project as Cameron. When the project was announced, Steve Bergstrom, president and chief operating officer of Dynegy Inc., highlighted its many advantages: “The existing Hackberry site was operated as an LPG terminal by Trident and acquired by Dynegy in 1995. The terminal is strategically positioned with access to the Gulf of Mexico and the Atlantic Basin and will have the ability to connect to a number of natural gas pipelines that reach most major natural gas markets in the United States. Dynegy will add one LNG tank and vaporization facilities to the Hackberry site. Siting the new terminal and gasification plant at the Hackberry site with key infrastructure already in place, including a jetty, dock and ship berthing structure, is a tremendous advantage.” Cameron didn’t face any community contestation. Cameron became the first offshore LNG terminal to be approved by the FERC in the new millennium. The decision famously became known as the “Hackberry decision.”

***CasotteLanding (Casotte Landing LNG Project/Bayou Casotte Energy):*** When ChevronTexaco announced this project next to its Pascagoula Refinery, it was joined by Mississippi Gov. Haley Barbour, who claimed, “ChevronTexaco has a history of continued investment in Mississippi and is a recognized leader in the production of cleaner diesel and gasoline fuels. These projects address a growing demand for energy in the U.S. and would position Mississippi as a leader in the supply of clean and reliable energy to the region.” CasotteLanding didn’t face much community contestation.

***Clearwater (Crystal Clearwater Port project/ Clearwater Port):*** This project was initial proposed by Crystal Energy LLC with a logic that its president William O. Perkins III elaborated as “California currently imports about 90 percent of the natural gas it consumes. Demand projections call for a 20 percent increase this decade. Yet, even as demand is increasing, other Western States that once provided California with inexpensive natural gas are now using more of the supply for their own needs, leaving the state with a severe shortage. By locating the facility 11 miles offshore on an existing platform, public safety and environmental impacts will be reduced to the simple installation of a state-of-the-art natural gas pipeline.” For a short while, there was participation in the project from Woodside Energy, Australia’s largest publicly traded independent O&G company, before it decided to pursue its own offshore LNG terminal proposal (Oceanway). After Woodside’s exit, NorthernStar Natural Gas Inc. took over the project from Crystal. A little north from Clearwater location, NorthernStar was already developing the Bradwood but justified its decision thus, “We will be able to leverage our knowledge and experience as we develop our projects to expedite the permitting process and to increase the likelihood of success for each successive project.” Shortly after taking over, NorthernStar hired

former Ventura County Deputy District Attorney, Jeff Gorell, and former chairman of the California Energy Commission, Joe Desmond. Clearwater faced a similar type of opposition as the nearby Cabrillo project but continued pressing forward even after Cabrillo was disapproved, with Desmond claiming that, “Unlike BHP we’re making use of existing infrastructure, which is consistent with the Coastal Act. More importantly the company would use ‘ambient air vaporizers’ [closed-loop] to bring the cooled fuel’s temperature up for regasification. That process uses 80 percent energy.” Pacific Environment, a local NGO, published a report, “Collision Course: How Imported Liquefied Natural Gas Will Undermine Clean Energy in California,” which called into question the very premise of Clearwater, including increased demand and lower emissions. The project didn’t even make it to the DEIS stage as the company stopped its efforts.

***Compass (Compass Port LNG project):*** When ConocoPhillips started working on this project, it had recently faced defeat from the town of Harpswell, in Maine, where its JV project with TransCanada had been voted out by the residents. So one of the first things Compass did was to commission Baker Engineering and Risk Consultants to conduct safety studies of accidental LNG releases in offshore terminals and Dauphin Island Sea Lab to conduct studies of impact on sea life because of seawater intake in open-rack technology based offshore terminals. Because LNG is at  $-260^{\circ}$  F, when the seawater comes in contact with the container holding LNG, there is a heat exchange and LNG becomes natural gas but the seawater suddenly drops in temperature. This water is then pumped back to sea. Just a few months after Conoco commissioned the studies, in September of 2004, National Oceanic and Atmospheric Administration (NOAA) started raising concerns that “If the organisms are not killed by the temperature drop, they will not survive being banged around by the pump machinery or the harsh chemicals used to keep the inside of the pipes clean... the risk of wiping out entire species of commercially important fish in the Gulf, such as red drum and red snapper, is too much to allow the once-through system.” NOAA’s report on the negative impact led to community contestation that eventually got the Alabama Gov. Bob Riley to also denounce the project. Conoco withdrew the proposal stating, “It is clear that Governor Riley still has environmental concerns despite the independent scientific studies predicting minimal impact.”

***CorpusChristi (Corpus Christi LNG):*** This project was a partnership between Cheniere Energy Inc. and BPU LLC, an affiliate of Sherwin Alumina, to build the terminal next to an existing Sherwin facility, which would also be a consumer of the natural gas from the terminal. The project faced no community opposition.

***CreoleTrail (Creole Trail LNG):*** CreoleTrail was another onshore project of Cheniere in the South that did not face any opposition. During its announcement, Steve Trahan, president of the Cameron Parish Police Jury (equivalent of county council in Louisiana), said, “Cheniere Energy is welcome in Louisiana and especially in Cameron Parish. Their openness with our residents, pro-active commitment to becoming a good citizen in the community and their credibility in delivering on their promises to work with us as they developed the Sabine Pass LNG terminal has earned our support for any other project they choose to develop.”

***CrownLanding (Crown Landing LNG):*** CrownLanding, sponsored by British Petroleum (BP), faced lower local opposition compared with other onshore projects, and it had overwhelming support from the New Jersey state government. Its problem was across the border—from the state of Delaware. This proposal led to a spat between the two state governments because of a 17<sup>th</sup> century boundary, which New Jersey claimed was “superceded by a 1905 interstate compact signed by Delaware and New Jersey that gives New Jersey control over facilities on its side of the river.” Delaware’s claim was “a Supreme Court decision dating from 1935 upholding Delaware’s control over that particular patch of the river, though New Jersey has control over other parts of the Delaware River.” The escalation between the two states reached such a point that Delaware House Majority Leader Wayne Smith introduced a bill, urging the Delaware Governor “to call upon the Delaware National Guard to protect the territorial integrity of the State of Delaware and to block and/or remove any encroachments upon our boundary.” The Governor of New Jersey responded (jokingly perhaps) that “the capital of Delaware, Dover, is within firing range of the USS New Jersey, which has been de-commissioned and is now used as a floating museum on the New Jersey shore.” Thankfully, the two states resolved the issue in the court of law. While the case dragged on in the Supreme Court for nearly four years, BP secured federal regulatory approval for the project. Even though the courts finally ruled equal jurisdiction between the two states, the federal approval remained intact.

***Downeast (Downeast LNG):*** In 2005, Downeast became the second proposal to appear in Washington County, Maine. At the end of my data collection period (December 31, 2013), Downeast remained an active proposal but hadn’t moved past the DEIS stage because of sustained community opposition. The project was promoted by Dean Girdis, with financial backing from Kestrel Energy Partners LLC, an oil and gas private equity investment firm. At the beginning of the project, Girdis enthusiastically proclaimed, “The burden is on the developer. It’s for us to go out there and talk to people and try to answer their questions and address their concerns and keep them informed of what the project is. In the absence of that, human reaction is

understandable.” Downeast tried various tactics to assuage community fears. They brought in experts to explain the dynamics of the flammability of LNG and the technical features of the terminal that would make it safe. They demonstrated computer simulations and brought in local ship pilots to counter concerns that the LNG vessels couldn’t navigate Passamaquoddy Bay. However, the project faced intense and sustained contestation from the local NGO Save Passamaquoddy Bay and, at the same time, the project also had to deal with a financial crunch. The initial funding of \$7.5 million provided by Kestrel was fast running out with all the studies and outreach programs that the project needed to conduct. That didn’t prevent Dean Girdis from offering \$3.5 million in annual benefits (once built) to the Town of Robbinston. Some of the components of this offer were “DowneastLNG would pay the entire portion of its property tax obligation, estimated to be 92 percent of the town’s budget. (Currently around \$300,000, the budget would soar to about \$1.3 million because of the higher total valuation for the town.) The company would establish a town community development fund for \$100,000 annually during the plant’s construction phase and \$1.2 million a year during its operation. The company would contribute \$500,000 annually to a previously announced Washington County economic trust fund. Homeowners with abutting properties would have a choice of three compensation plans, including a one-time \$25,000 “impact fee.” By 2011, Kestrel had already spent \$17.5 million and was still trying to find a way to make it to the FEIS stage.

***Freeport (Freeport LNG):*** Freeport was one of the first LNG proposals of Cheniere and faced a few incidents of community contestation but not at sustained levels. Initially, Crest Investment was involved in the project. Crest Investments had two co-chairmen. One was Jamal Daniel, who was appointed by Crest to serve as advisor to the Board of Cheniere. The other co-chair was Neil Bush, sibling of President George W Bush and Governor Jeb Bush. Because of Neil Bush, there is an interesting conspiracy theory promoted by CounterPunch.<sup>16</sup> Cheniere had filed a lawsuit against Crest because it had obtained rights for the Quintana Island location where Cheniere was planning to propose the Freeport project. The lawsuit was settled out of court and shortly after Cheniere and Crest became partners. CounterPunch claims that it has an internal Freeport memo that designates Crest to “handle the political permitting side.” Apart from this alleged internal memo, everything else is a veritable fact! By 2004, a private investor Michael S. Smith had also

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<sup>16</sup> <http://www.counterpunch.org/2005/03/08/neil-bush-and-crest-investments/>



purchased equity in the project and had become the CEO of Freeport LNG Development, LP., and then Dow Chemicals picked up equity stake along with supply of natural gas to one of its local plants.

***GoldenPass (Golden Pass LNG):*** When ExxonMobil announced this project, it was accompanied by Texas Governor Rick Perry who stated: “This project will provide jobs and other economic benefits to Sabine Pass and Southeast Texas, and bring long-term supplies of natural gas for our industries, power plants and homes. We support ExxonMobil’s efforts to bring this important project to Texas.” The project did face small levels of community contestation mainly based on safety and aesthetics concerns. Port Arthur Mayor Oscar Ortiz said he “wouldn’t support disannexing more than 900 acres for the ExxonMobil facility unless concerns over pollution and local labor are resolved.” Jefferson County was an out of compliance region for the Clean Air Act purposes. However, the local council voted 9–1 for providing land to Exxon, with Mayor Ortiz being the sole dissent. A few months later, Mayor Ortiz had also changed his stance. When some of the local residents started putting up signs opposing the terminal, he stated, “if ExxonMobil moves forward with the project, the city could add \$600 million to \$800 million to its tax base. It’s something that the city couldn’t pass up even if it wanted to. There’s always a chance of an accident, but these people have got to understand, they’ve been living in a city that has got more refineries in it than any other city in Southeast Texas and we haven’t had that kind of a catastrophe yet and hopefully we never will.” A local resident, Shirley McGuire, described the DEIS by summing it all up: “The draft environmental impact statement is very thick and it covers people very little.”

***GulfGateway (Gulf Gateway project/Energy Bridge offshore LNG Port):*** El Paso initially invested in this project as a means to implement a new technology it had developed called Energy Bridge. In traditional LNG import terminals, the regasification occurred on the terminal but Energy Bridge’s compatible ships would have this ability onboard. When the Energy Bridge ship arrives near the terminal, a buoy would be employed that would be pulled into a receiving cone and connect with the ship. Then the regasified LNG in the form of natural gas would be directly pumped into a subsea pipeline that would take it into the main natural gas pipeline network. This project, along with the Energy Bridge technology, was later spun off into a separate company called Excelebrate Energy, LLC. This project did not face any contestation throughout its lifecycle.

***GulfLanding (Gulf Landing LNG terminal):*** This offshore project of Shell became a target of community contestation because of the impact on fisheries. National Marine Fisheries Service

(NMFS) in its report said, “the project’s open-loop heating system, which will use an estimated 135 million gallons of seawater per day to regasify the LNG, would have a dramatic impact on certain fish stocks. This single LNG terminal could cause mortality to billions of fish eggs and larvae annually. The proposed action described is unsatisfactory from an environmental and public welfare standpoint.” However, Shell countered this claim, stating, “the Coast Guard has advised us that numbers cited in their FEIS for impacts on red drum [are] incorrectly overstated and will be adjusted. This adjustment will clearly demonstrate that there are no significant impacts on essential fish habitat. The percentage quoted by several organizations is only a comparison to the amount of red drum landed by recreational fishermen and not to the overall red drum population. Red drum landed by recreational fisherman—12.7-million pounds in 2002—likely represents a small fraction of the overall red drum population.” Shell also asserted that changing over to closed-loop system would cost \$43 million annually and it was too expensive. Shell promised it would engage scientists from Louisiana or Texas universities to study the impact once the terminal was built. Relatedly, it made multiple charitable donations—“\$4 million to America’s Wetland, Louisiana’s nonprofit public relations campaign in support of the state’s coastal restoration efforts”; “spent more than \$5 million on its Marine Habitat Grant program, which finances a variety of research and education programs aimed at the Gulf, in association with the National Fish & Wildlife Foundation.”

***Ingleside (Ingleside Energy Center):*** This Occidental Petroleum’s proposal was located within its own petrochemical facility where it would “warm the LNG back into a gaseous state with waste heat from the chemical complex and then to feed the vaporized gas to its chemical unit’s 440 MW cogeneration unit, as well as to fuel the chemical plants themselves.” It did not face any community contestation.

***JordonCove (Jordon Cove LNG):*** Initially this project was proposed by a consortium of investors, who formed a company specifically for this purpose, called Energy Projects Development LLC. A year after its announcement, it was taken over by Fort Chicago Energy Partners, a Canadian income fund. Jordon Cove faced very high levels of sustained community contestation. This was the first of the three terminals proposed along the Columbia River in Oregon. While safety fears and the impact on the Columbia River because of the LNG ships were the main concerns, other concerns also formed the undercurrent of fear. One big fear was that the locals would not have a say at all and this was how a local resident, Jody McCaffree, put it, “It’s not right to have non-elected people decide these things when we taxpayers are paying for this. I think this is all being done without any public input. I’ve tried to be open-minded about it, but

they're trying to put these [terminals] in all over the country and they're being turned down right and left." Bob Braddock, project manager, held multiple community meetings where he highlighted the many benefits of the proposal including "site already is zoned for industrial and marine use, will be largely obscured by dune woodlands and is a mile and a quarter from the nearest home"; "Jordan Cove will be a good neighbor to the Bay Area"; "would be the smallest LNG import terminal in the country"; "most efficient and environmentally benign natural gas fueled power plant in Oregon" and also countered safety concerns by stating, "these [LNG terminals] withstood the Kobe earthquake [in Japan]." However, the feeling of being exploited continued among the local residents with one of the fears being that most of the gas was meant for California or in the words of a resident, "We're using only 10 percent of this gas and getting 100 percent of the mess." In some meetings, demonstrators shouted that they didn't want to get "FERCed" (sounding like a well-known swear word). Jordan Cove remained aggressive in countering issues and often times the detractors.

***Liberty (Liberty Natural Gas):*** A JV between Canadian Superior Energy Inc. and Global LNG Inc., called Excalibur Energy (USA) Inc., was set up to manage this project. Canadian Superior's CEO, Craig McKenzie, highlighted its many benefits, including an interesting design feature: "Liberty Natural Gas was borne out of over two years of design development and several series of stakeholder interviews in the New Jersey and New York areas. Its design is simple and it is basically a natural gas pipeline project with an offshore, anchored submerged natural gas-receiving turret. Impact on all components of the environment and marine life has been carefully considered in our design. Near-shore the pipeline will be directionally drilled so that no surface sediments are disturbed. Onshore the pipeline will be laid within an existing interstate pipeline corridor to Linden, New Jersey. The design capacity is up to 2.4 billion cubic feet per day, which is sufficient to safely satisfy all the growing needs in the area such that multiple projects will not have to be undertaken." However, this was not enough to prevent local opposition led by NGO Clean Ocean Action, which laid out the many issues with the proposal including: "LNG is foreign and will come primarily from sources in Russia and the Middle East. These countries are not the friendliest to the US, nor are they consistent"; "Markets all over the world that do not have rich domestic sources are vying for LNG and are willing to pay as much as twice as the US, and at times even more. The loyalty of the supply is to the dollar"; "can be up to 40% more polluting than US gas supplies because of the excessive energy needs that LNG requires during its lifecycle through cooling, loading onto tankers, transporting and regasifying. Moreover, the industrialization of the ocean with tankers and facilities would have substantial environmental

consequences to the marine environment, threatening our fishing and tourism industries and the economy.” The project also faced internal troubles with the financial situation of its sponsor firms and then moved to a private firm. It was finally abandoned as the private firm backing it decided to start a completely different project called Port Ambrose.

***LNGCleanEnergy (LNG Clean Energy/ Project Clean Energy):*** This project was initially proposed by Gulf LNG Energy, LLC, and was later joined by Sociedade Nacional de Combustiveis de Angola (Sonangol), which had liquefaction projects in Angola. The president of Gulf LNG Energy was Dee Osborne, who was also the president of Crest Investments, which was involved in Freeport LNG project (see the above discussion on Freeport and its connection with Neil Bush). LNGCleanEnergy faced very little community contestation.

***MainPass (Main Pass Energy Hub):*** McMoRan Exploration highlighted the many benefits of this project when it announced its proposal: “deepwater access for large LNG tankers and is in close proximity to shipping channels”; “will utilize the substantial existing platforms and infrastructure at the site, which were designed to withstand a 200-year storm event”; “Safety and security aspects of the facility are enhanced by its remote location”; “to include significant cavern storage of natural gas using its massive 2-mile diameter salt dome...offers excellent opportunities to achieve added value for LNG imports and provides security of supply and peaking capabilities for downstream customers.” However, MainPass ran into the same trouble as the other open-rack terminals in the gulf (as highlighted in the cases above). However, instead of just pushing through with its plans or withdrawing it, MainPass was one of the few terminals that actually made a design change midway through the regulatory process (I incorporated this fact specifically for MainPass while calibrating the variable “Project design advantages”).

***Neptune (Neptune offshore LNG delivery system):*** This project proposed by SUEZ Energy North America (SENA) was proposed as an offshore complement to its existing operational onshore LNG terminal at Everett (near Boston, Massachusetts). This relationship was a huge selling point for Neptune and not just because it was sponsored by the firm that had the only terminal with continuous operations of LNG imports in the U.S. for nearly four decades. The other advantage was that SENA could temporarily shut down the Everett facility anytime it wanted by switching over to Neptune. This was a distinct possibility because after 9/11, the coast guard did shut access to LNG vessels, fearing that terrorists might attempt to blow them close to Boston. Neptune had also decided to use closed-loop vaporization system unlike the controversial open-rack used by offshore terminals in the Gulf of Mexico. Neptune’s logic was thus: “the water

is colder in New England than in the Gulf of Mexico. We wouldn't get the same efficiency if we used sea water vaporization in the same capacity at the end of the day."... "The other reason is the environmental issues in New England on emissions [are too restrictive]. The [closed loop system] keeps everything internal to the vessel and we don't use steam turbines." However, the community contestation against Neptune had a specific element that was different from other offshore terminals. It was located very close to the feeding ground of North Atlantic right whale, a highly endangered marine mammal. As Mason Weinrich, executive director and chief scientist at the Whale Center of New England in Gloucester, explained, "Over time, if a whale is approached and left, again and again, it's receiving lots of exposure to close-proximity noise that may impact an animal's ability to hear. It's sort of like going to a loud rock concert again and again." Julie Vitek, SENA spokesperson, countered, "Noise is an issue we take seriously and the Neptune project is being designed to minimize it. For example, installation is planned for the summer when the North Atlantic right whale—an endangered species—is less prevalent in the region. Project's pipeline route avoids rocky areas, allowing for plowing of the sea floor rather than blasting during construction. When the Neptune facility begins operation, the shuttle and regasification vessels that serve it would travel a route that avoids transit within the Stellwagen Bank National Marine Sanctuary. Also, when leaving or returning to the shipping lanes into Boston Harbor, the [ships] will transit at half speed."

***NortheastGateway (Northeast Gateway Deepwater LNG Port):*** This project was Excelerate Energy's second LNG terminal after GulfGateway (described above) and proposed to use the same Energy Bridge technology. It was expected to connect with Duke Energy's HubLine system that was laid on the ocean floor. Russell Sherman, a Gloucester fisherman, described HubLine thus: "The existing gas pipeline, finished last year, was hit with construction problems and mishaps. In particular, weather delays meant portions of the pipe lay unburied on the ocean floor during the annual lobster migration season. We don't know about the habitat destruction from the pipe, what it all means." They expected connectors from NortheastGateway to HubLine and the terminal itself to also cause similar problems. They also expected it to disturb a 50-year-old toxic waste dump that can affect the surrounding marine life. As Gloucester Mayor John Bell put it, "We don't see why we have to sacrifice a 400-year-old fishing industry for the short-term energy needs of New England." Doug Pizzi, a spokesman for Excelerate, was optimistically stating, "We've met with these groups as often as they've wanted to and still try to keep an open dialogue with them, in an attempt to make sure that we minimize the impact on what is obviously a very important cultural and economic asset." As the community contestation intensified and no

resolution was being reached, Rob Bryngelson, Excelerate's chief operating officer, commented that they have "been largely rebuffed, especially by fishermen, in repeated attempts to meet. We have met with everyone who would meet with us and listened to everyone's concerns."

NortheastGateway also announced a \$6.3 million mitigation package to be handled through an NGO for helping impacted fishermen. It was also going to deploy two marine mammal acoustic detection systems at a cost of \$16 million to protect the Gerry E. Studds Stellwagen Bank National Marine Sanctuary.

***OceanWay (OceanWay LNG):*** OceanWay was started by Woodside, Australia's largest independent O&G firm, after it exited the ClearWater project. However, it faced the same kind of opposition that ClearWater did but not at the same level of intensity. The City of Malibu passed a resolution officially opposing the terminal. Steve Larson, Woodside Natural Gas President and former executive director of the California Public Utilities Commission, continued to emphasize the positives: "OceanWay will: Protect the environment by meeting all federal and state air and water quality standards. Preserve ocean views because OceanWay will not require the construction of any onshore storage facilities or permanent offshore surface structures. Commit to community safety by locating the project 28 miles offshore, far removed from population centers and existing shipping lanes. Use proven technology, relying primarily on ocean air for regasification and a buoy system similar to one that performed reliably and safely during Hurricane Katrina. Provide a secure and reliable energy source for California, capable of supplying 15 percent of California's annual natural gas demand and adding valuable peak supply during events like heat waves. Create jobs by committing to US staffing and flagging of the regasification ships." OceanWay decided to cut the size and scope of its project but could never submit a redesigned version even to reach a DEIS stage before it was withdrawn.

***OregonLNG (Oregon LNG):*** This project was essentially a rejuvenation of the Skipanon LNG project that didn't enter the regulatory cycle because of Calpine's financial troubles. So former Calpine executives, Peter Hansen and Mohammed Alrai, took over from where the earlier project had left, with the help of Leucadia National Corp., which created a subsidiary called LNG Development Co. in order to transfer Calpine's 94-acre lease with the Port of Astoria that Leucadia had obtained during Calpine's bankruptcy. Hansen highlighted some of the competitive advantages over projects proposed upstream along the Columbia River: "We don't need to bring the tankers under the bridge, past Astoria and 30 miles up the river. We're located exactly where a facility like this should be located—at the mouth of the river. The need for other LNG projects to take their tankers past downtown Astoria is the '800-pound gorilla in the room'..."

“[OregonLNG] also has the proper zoning to build a facility at the Skipanon site, unlike the Bradwood Landing project, which is located 20 miles east of Astoria on the Columbia River.” When Hansen conducted a site-tour of the location for local residents, Lori Durham who had fought against the original Calpine proposal gave Hansen a taste of things to come by saying, “We’re going to have a good fight again.” Fear of intentional attacks on the terminal or accidental leaks drove much of the intense and sustained community contestation. Residents also feared that the local hospitals and fire departments were ill-equipped to face the eventualities. As one resident put it, “As long as these out-of-state energy speculators know that their permitting process will proceed smoothly right up to the moment of obtaining the building permit, there is no motivation to negotiate with the local fire, police and sheriff departments concerning who pays for what.” In spite of the community contestation, Oregon LNG remained active until the end of my data collection period even though there were many local obstacles from residents as well as Clatsop County commission, which was trying to prevent the access pipeline from going through.

***Pearl Crossing (Pearl Crossing LNG):*** This project was an ExxonMobile offshore terminal that faced similar opposition to the other terminals using open-loop technology in Gulf of Mexico region. Exxon spokesman Bob Davis response was, “In the design of our project, we’ve introduced a number of factors to drastically reduce the impact to fish and other marine life such as crabs and shrimps. In our view, the impact would be minimal.”... “Their [detractors] interpretation and the mathematics they are applying to the number are extremely exaggerated. They’ve taken the worst-case scenario and are not including the best side.”... “There are a lot of misperceptions and they carry on.” Exxon withdrew the proposal as its other onshore proposals (GoldenPass and VistaDelSol) advanced in the regulatory process.

***Port Ambrose (Port Ambrose LNG):*** This project was a second attempt at getting an LNG terminal through the regulatory process by Liberty Natural Gas and its CEO Roger Whelan after the failed Liberty project (see above). Since the project entered the regulatory process in September of 2012, it had not made much progress. However, the local anti-fracking groups were concerned that the project was guised as an import terminal but was intended to be converted to an export facility at a later date. An export terminal would mean that fracking activities would pick up in the nearby areas as there was now an outlet for exporting the natural gas extracted through the fracking process.

***Port Arthur (Port Arthur LNG):*** Sempra Energy proposed this terminal on a parcel of land it had owned since 1985 and followed its success with Cameron LNG (the first terminal approved by

the FERC in the new millennium). Darcel Hulse, president of Sempra Energy LNG, highlighted the many benefits of the project: “Our Port Arthur LNG project is ideally situated to meet the needs of those suppliers, and it has positive support from the local community”... “the project would employ 1,000 or more construction workers at its peak with an average of 600 throughout the project’s development stage. When the terminal is operational, it would employ 60 to 70 people full-time.” The project faced no community contestation.

***PortDolphin (Port Dolphin Liquefied Natural Gas Deepwater Port):*** This offshore terminal was proposed by Hoegh LNG, which had decades of experience building floating storage and regasification units (FSRUs), a combination of both LNG carriers and floating terminals. Community contestation was aimed more at the connecting pipelines than the actual terminal itself because the pipeline routes were originally supposed to cross two marine aquatic reserves and would also affect the beach nourishment system that brought the white sands to the local beaches. PortDolphin publicly apologized to the local county officials for not consulting and “miscommunication.” Port Dolphin spokesman, Harry Costello, said, “We want to be a good neighbor. We will do a better job in communicating.” They also revised the undersea pipeline route to address all the concerns.

***PortPelican (Port Pelican LNG):*** ChevronTexaco’s PortPelican was the first offshore terminal proposed in the U.S. It was able to get through the permitting process without any community contestation because the whole controversy of open-loop vaporization system hadn’t yet emerged at that time.

***QuoddyBay (Quoddy Bay LNG terminal):*** It was the first of the three LNG terminal proposals in Washington County, Maine. It faced a very intense and sustained community contestation. At one point, its private promoter, Brian Smith, commented during an open house: “So far today, I’ve been told to shut up and called a liar. It’s tough to sit here.” QuoddyBay couldn’t secure a lease for the land where it was planning its terminal and became only one of three LNG terminals and one of two offshore terminals to be explicitly disapproved.

***SabinePass (Sabine Pass LNG):*** This was another of Cheniere’s terminals in Texas. Announcing this proposal, Charles Reimer, president and CEO of Cheniere, said, “All the work we have done continues to support our conclusion that Texas is well situated to develop LNG receiving terminals because of its extensive infrastructure for transportation and the large industrial demand in the state.” SabinePass did not face any community contestation.



**SafeHarbor (Safe Harbor LNG):** SafeHarbor was proposed by a private firm Atlantic Sea Island Group. Chairman Howard Bovers commented right after its launch that, “I don’t mind environmental opposition to projects at all. But unfortunately, what we often have today is what I would consider to be mindless environmental opposition, in which people are against anything and everything. I thought we might be able to eliminate that by having a process offshore.” The firm also indicated that a “50-acre island would be created in 70-foot-deep water, using dredged sand and rock and would be barely visible from the Long Beach boardwalk.” However, a local activist, Adrienne Esposito, described this man-made island thus: “the more we learn, the more it sounds like the island of Dr. Moreau.” While SafeHarbor sought to project itself as an alternative for the highly contested Broadwater terminal and did manage to convince some of Broadwater’s opponents, it could not convince everyone and faced moderate amounts of community contestation. After more than four years of hard work and spending more than \$10 million, SafeHarbor was withdrawn without even reaching the DEIS stage.

**SES (Sound Energy Solutions):** SES was proposed by the energy division of the Japanese conglomerate, Mitsubishi, and at a later stage (after the DEIS) ConocoPhillips became involved. SES started its proposal work by actively courting local residents, NGOs, and officials. Thomas E. Giles, SES senior managing director, explained in one such meeting in 2002: “This whole industry was developed around the threat of something happening. These facilities are not very good terrorist targets. You won’t get much bang for your buck, if you’re trying to wreak havoc. LNG does not explode and in its liquefied form, it burns slowly—yet cleanly—with a low flame. The liquefied gas is stored at low pressure, unlike such fuels as liquid propane. There are not many things that could penetrate one of these tanks.” However, this explanation still didn’t prevent community contestation to such an extent that California Public Utilities Commission (CPUC) became involved. The project became an arena for the jurisdictional battle between the CPUC and the FERC for the right to determine the approval of the project. SES took up the FERC side and directly attacked the CPUC. After a legal battle between the FERC and the CPUC, the FERC authority was firmly established. Sustained community contestation put an enormous amount of pressure on the Harbor Commission for the Long Beach port that was supposed to lease land meant for the project. The Harbor Commission kept delaying its own assessments and studies in spite of legal challenges. The FERC suspended the process because of inactivity and SES finally had to withdraw the application.

**Sparrows (Sparrows Point LNG):** This project was proposed by AES Corp., one of the largest power companies in the U.S., at a former shipyard in Baltimore County. Sparrows faced sustained

and intense community contestation because of multiple issues, including the dredging of the shipping channel, “the potential effects of a leak, about terrorist attacks on the tankers or terminal, about dwindling property values and about interference to recreational boating and fishing from the tankers.” While the residents felt it was too close to a populated area, Sparrows insisted that, “by industry standards, the Sparrows Point site is considered ‘remote.’” County officials sought to disrupt the project by throwing multiple hurdles, including changes in zoning laws, which AES fought in court. Kent Morton, project director for AES, also publicly attacked the county council by stating: “the county has misinterpreted the project at a basic level. They just refuse to acknowledge that this project is bringing any environmental benefits.”

***VistadelSol (Vista del Sol LNG terminal):*** VistadelSol was launched by ExxonMobil right after its launch of GoldenPass proposal. In this case as well, Texas Governor Rick Perry was present at the announcement ceremony and reiterated: “Texas and the United States need secure supplies of natural gas to attract industries, assure development and to continue the strong economic growth we're experiencing in our state and throughout the nation. This project will bring jobs and other economic benefits to San Patricio County and the greater Corpus Christi area, and will provide long-term supplies of natural gas for our industries, power plants, and homes. We support ExxonMobil’s efforts to bring another important LNG project to Texas.” The project did not face any community contestation.

***Weavers (Weaver’s Cove LNG):*** Weaver’s was initial proposed by Poten and Partners, an energy consulting firm, and was later joined by Amerada Hess, one of the largest O&G companies in the U.S. From the beginning, the project was headed by Gordon Shearer, who became the CEO of Hess LNG after Amerada Hess got involved. Shearer had made his career in LNG and was in charge of the LNG facility at Everett, which was the only continuously running import terminal in the U.S. since 1970s. However, Shearer met his match in the mayor of the city of Fall River, Edward M. Lambert Jr., who built a coalition of opposition from local residents, activists, city officials, and federal politicians, including Senator John Kerry. Weaver’s faced intense and sustained contestation. In spite of the high levels of community opposition, the FERC approved the project. Excerpts from the FERC approval notice are shown below

In performing this review, we have taken a number of extraordinary steps to assure detailed consideration of safety and security issues regarding both the proposed LNG import terminal and related LNG vessel operations. Recognizing the public concern, the U.S. Coast Guard in coordination with

the Commission initiated a series of workshops with local law enforcement agencies and port stakeholders to develop the procedures and resources required to manage the safety and security of LNG vessels while moving through Narragansett Bay and unloading LNG at the dock. An initial vessel transit security plan is summarized in the final environmental impact statement (FEIS). This process was the most extensive effort ever performed prior to Commission authorization of an LNG import project, and will serve as a blueprint for evaluating future proposals.

In response to comments from local agencies about the security and emergency management cost that could be imposed on state and local agencies, we are adopting the FEIS' recommendation that Weaver's Cove be required to prepare a comprehensive plan identifying the mechanisms for funding all project-specific security and emergency management costs incurred by state and local agencies. We are also requiring Weaver's Cove to file an initial emergency response plan and identify emergency evacuation routes prior to construction, to develop emergency response plans with local officials throughout the construction period, and to report progress at 6-month intervals as recommended in the FEIS. We are also requiring additional safety measures by requiring Weaver's Cove to incorporate into the final design of the terminal improved features for cryogenic valves, instrumentation, equipment isolation, hazard detection and control systems.

With these conditions and others discussed herein, we find that the proposed new LNG terminal will promote the public interest by increasing the availability of natural gas supplies in the New England market and that the Mill River laterals are required by the public convenience and necessity to connect the proposed LNG facilities to the interstate pipeline system.

## **Appendix D: Coding of Firm's Rhetorical Responses**

A detailed protocol was prepared for manual coding of the rhetoric-related causal conditions. The coding protocol was updated multiple times during the initial iterations and it was applied repeatedly to a set of claim segments until the protocol was largely stabilized. Any further updating that occurred to the protocol was restricted to particular word markers that could potentially indicate which of the three rhetorical tactics was used. After the completion of coding, these markers were rechecked for false negatives — segments that might not have been coded for a particular type but should have been. The final coding protocol with instructions was given to a graduate research assistant, who coded 100 randomly selected claim segments to generate an inter-coder reliability rating. Initial interrater reliability was only satisfactory, with a Cohen's kappa of 0.76. After discussions with the coder, I realized that many of the differences occurred because of lack of deep knowledge of context. For instance, in one case the coder thought the firm was referring to a city as a stakeholder but the actual reference was to a rival proposal in another city. The revised Cohen's kappa after correcting for only those instances involving knowledge of the context was 0.85, a very satisfactory level.

### **Summary of Instructions**

#### ***Rhetorical Categories***

You will be coding three main categories of rhetoric. *Positive claims* is a type of self-promotional rhetoric used by firms to draw attention towards the positives of the firm and the LNG terminal. *Negative topical* claims are used to counter issues raised by stakeholders. The broad purpose of these claims is one or both of the following – a) question the validity of the issue raised by the stakeholder; and b) provide an alternative take on the issue. *Negative Personal* claims are directly aimed at the stakeholder. The object of these claims is not to undermine the issue but to directly undermine the stakeholder.

#### ***Coding strategy***

1. Please code the segments in order, from top to bottom and do not sort the table.
2. Read the segment of the text carefully and identify who is representing the firm, what is the topic/issue/theme, and who is the stakeholder (if present).
3. Code each segment using the following guidance.

## Coding guidelines

1. **Positive claims** will clearly bring out positive attributes of the firm, the particular proposed project, or LNG in general. It can also be a combination of the three. Typical themes used by the firm for highlighting the positives are:
  - a. Economic and industrial benefits: Jobs, tax revenues, higher supply of natural gas, alternative supply to traditional sources, and lower natural gas prices.
  - b. Environmental: Touting the safety and reliability of the terminal. Indicating the environmental benefits of natural gas as a cleaner burning fuel with lesser emissions when compared with traditional fossil fuels.
  - c. Geographic: Locational advantages of a particular terminal in terms of access to natural gas pipeline infrastructure, re-use of a brownfield site (previous industrial use), and distance from populated area.
  - d. Technological/Technical Benefits: These would typical be used in conjunction with the other positive attributes. So the firm will not just share the factual information about the tech used but also the benefits from that tech.

Examples of Positive Claims:

Themes	Example
Economic and industrial benefits	<i>Henry pointed out that t”he LNG plant would be a financial boon to the town, whose annual budget is \$200,000”. “The Freeport LNG terminal, if it becomes operational, would provide the town with fees of more than five times that amount”, Henry said.</i>
Environmental	<i>“Safe Harbor Energy is designed with security, safety and environmental features a priority, including meeting a 200-year storm design standard, self-sufficient systems for water supply, wastewater management, energy, fire and safety, and using ‘best available technology’ consistent with the requirements of the Deepwater Port Act.”</i>
Geographic	<i>“The fact that it happens to be only 1.2 miles from a [natural gas] hub line, has deepwater access, would only need a 300-foot jetty and very little dredging, made us think was a very neat site that we needed to bring to the attention of state officials,” he added.</i>
Technological/Technical Benefits	<i>Rob Bryngelson, Exceletrate vice president, said “a version of the company’s ‘Energy Bridge’ technology has been used safely for years in the North Sea to unload petroleum from oil tankers”. “The Exceletrate mooring systems can withstand severe storms, and unloading operations can be shut down within 15 minutes in an emergency”, Bryngelson said.</i>

2. **Negative personal claims** will have a clear target for the rhetoric, a particular stakeholder. It will be typical of the form X is Y, where X is a stakeholder and Y is something negative about the stakeholder. So the grammatical structure will typically have stakeholder as the subject and something negative about the stakeholder as the object of a sentence. In some instances these two aspects may be split between sentences but you will have a pronoun linking the two. The following sub-types of negative personal claims can be recognized:
  - a. Discredit
    - i. Accused of wrongdoing or not playing by rules
    - ii. Attack motive or stance
    - iii. Accused of misinformation, misrepresentation or distorting facts
    - iv. Opponent is considered ignorant
    - v. Question competence or ability
    - vi. Accused of not carrying out their obligation, role or duty
    - vii. Undermine position, authority or status
  - b. Dismiss
    - i. Marginalize opponents; downplay their importance; or circumvent them in the process
    - ii. Accused of behaving inconsistently with their status, identity or authority
    - iii. Dismiss, trivialize or belittle them

Examples of Negative Personal Claims:

Types of disapproval	Example
Attack motive or stance	<i>“Organizations critical of the approval of the Gulf Landing LNG terminal <b>apparently fail to recognize</b> the strict and enforceable conditions of environmental performance imposed to protect marine life,” the statement said.</i>
Opponent is considered ignorant	<i>BHP’s Chip Goodyear says “environmentalists are living in <b>‘dreamland’</b> if they think conservation will meet the state’s growing energy needs”. “You can say that, but it doesn’t really work,” he says.</i>
Marginalize opponents; downplay their importance; or circumvent them in the process	<i>“Fishing Families for Harpswell represents <b>a very small group</b> of fishermen,” Micciche said Friday. “The majority of fishermen I’ve spoken to are in favor of this project.”</i>
Accuse opponents of behaving inconsistently with their status, identity, or authority	<i>“We’re <b>disappointed</b> that this would be <b>something being sponsored by the selectmen</b>. The film that selectmen plan to show about the dangers of liquefied natural gas terminals is a <b>scaremongering-type</b> film that’s not based in reality,” said a top official for the company that wants to build such a project near Hull. “I don’t think it’s based in science or anything else,” said Aaron Samson, the managing director of</i>

Types of disapproval	Example
	<i>LNG projects for energy company AES Corp.</i>

3. **Negative topical claims** are difficult to recognize if the issues are implicit because of the context. In instances where the stakeholder issue and the alternative suggested by the firm is clear, it is easier to recognize that segment as a negative topical claim. There are some marker words and phrases that are helpful in recognizing that the firm’s representative is trying to counter an issue.
- A negation or polarity switch: not true; don’t think; don’t agree; don’t believe; don’t see; does not/doesn’t; no reason
  - Contrasting conjunctions: But; although; though; however; whereas; unless; if only; even if; even though; rather than; while; contrary. These conjunctions need to contrast the implicit/explicit stakeholder issue with what the firm is forwarding.
  - Certain marker words are not in the actual statement of the firm rep but in the way the media report qualifies the statement. Examples: Denied; disagreed; countered; questioned; rejected; downplayed; dismissed; insists; argued; retorted; pointed; unfazed; despite; puzzled; refuted, etc. Some of these can also be within the statement. For instance, take the word ‘question’ and its derivatives. The media can characterize it as ‘Firm rep questioned the validity of the issue’ or the firm rep may be quoted as saying ‘We question the validity of the issue.’
  - Certain marker words are completely dismissive of the issue, in a similar vein as the ‘Dismiss’ sub-category for Negative Personal claims above (point 3b). Typical words used: inaccurate; incorrect; misstated; misrepresented; irrelevant; false. etc. Be careful to distinguish what the subject is. Consider the general structure — X is incorrect. If X is an issue then it is a negative topical claim but if X is a person then it is negative personal claim.
  - Some words project the firm’s belief or opinion. Look for marker words/phrases such as: In our opinion; we believe.

Examples of Negative Topical Claims:

Types of identifying markers	Examples (emphasis added to point the markers)
A negation or polarity switch	<i>“We <b>don’t agree</b> that it is industrialization, <b>nor</b> is there any indication that having this facility will lead to having other such facilities in this region,” he said.</i>
Contrasting conjunctions	<i>“<b>Contrary</b> to many of the claims made in public meetings and correspondence, our studies indicate that the off-shore dredging we have proposed will not harm the health of the Chesapeake Bay in either the long or short term. In effect, AES is proposing to clean up an existing environmental condition—one that we did not cause—without the need for</i>

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*government funding.”*

Media report descriptive

*Bradwood Landing spokesman Chuck Deister **disagreed** with the group’s premise, saying “now is the time to introduce LNG to the region, because renewable energy sources are gaining traction but can’t yet supply all of society’s needs”.*

Dismissive

*Hritcko said “some of the ‘facts’ Blumenthal and Johnson recited were ‘**absolutely false**,’ including Blumenthal’s contention that every town along the coast would have to spend money for new boats so fire departments could be ready for emergencies”.*

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## Appendix E: Inductive categorization of negative personal claim sub-types

Since negative personal claims is a relatively novel concept, I employed an inductive method to categorize the sub-types. Once I recognized the rhetorical segment as containing a negative personal claim, using the coding protocol detailed above, I also recorded the first order categories for the type of negative personal claim. Each instance of the rhetoric segment was coded in a matrix form (rows for the rhetoric segment and columns for the first order type). The screenshot below illustrates how data was coded.

Terminal Name	Title	Extract	pubdate/Event date	AK	AL	AM	AN	AO	AP	AQ	AR	AS
78 Sparrows	New AES complaint targets	In the statement, Project Director	Friday, July 06, 2007			1		1		1		
79 Sparrows	Sparrows Point LNG sponsc	Kent Morton, Sparrows Point's pr	Tuesday, July 17, 2007									
80 Sparrows	Federal Consistency Appea	Notice of appeal. Citation: "72 FF	Monday, September 10, 2007					1				
81 Sparrows	Baltimore County confiden	Kent Morton, project director for	Wednesday, October 10, 2007								1	
82 Sparrows	Court to hear LNG dispute	t Kent Morton, the manager for the	Monday, November 26, 2007									
83 Sparrows	Maryland LNG dispute gets	Undaunted by another defeat in	Wednesday, November 28, 2007									
84 Sparrows	Sparrows Point Fighting Act	Following recent passage of a M	Friday, November 30, 2007					1		1		
85 Sparrows	The AES lawsuit drops Balt	Baltimore County has been drop	Monday, December 10, 2007									
86 Sparrows	LNG suit getting noticed: St	AES continues to believe in the c	Wednesday, January 30, 2008							1		
87 Sparrows	Federal Consistency Appea	This announcement provides no	Friday, February 08, 2008									
88 Sparrows	Coast Guard report criticize	AES wants to build the terminal	Wednesday, February 27, 2008									
89 Sparrows	Environment plan OK for LN	AES is still engaged in a legal ba	Friday, April 25, 2008									
90 Sparrows	AES Must Share Security Co	AES officials indicated the secur	Tuesday, April 29, 2008									
91 Sparrows	Commerce backs one LNG	But Kent Morton, project director	Friday, June 27, 2008									

Figure 10: Illustration of first order coding of negative personal claims

I then used the hierarchical cluster analysis provided by SPSS to derive linkages between the first order categories and club them into second order categories. The Dendrogram plot was used to identify linkages between disapproval types. The second order categories are based on proximity scores (x-axis), which is an indicator of an underlying latent dimension that is driving these first order categories to occur together in a rhetorical segment. I further categorized the second order negative personal claim by potential motivations of the firm to employ them. This resulted in the following categorization of the sub-types

- a. Discredit
  - i. Intentions Targeted
    1. Accused of wrongdoing or not playing by rules
    2. Attack motive or stance

- 3. Accused of misinformation, misrepresentation or distorting facts
  - ii. Capability/ability target
    - 1. Opponent is considered ignorant
    - 2. Question competence or ability
    - 3. Accused of not carrying out their obligation, role or duty
  - iii. Undermine
    - 1. Undermine position, authority or status
- b. Dismiss
  - i. Marginalize
    - 2. Marginalize opponents; downplay their importance; or circumvent them in the process
  - ii. Inconsistency
    - 3. Accused of behaving inconsistently with their status, identity or authority
  - iii. Trivialize
    - 4. Dismiss, trivialize or belittle them

This categorization enabled me to reassess the coding of negative personal claims in order to improve the construct validity.

## Appendix F: Coding of Community Contestation

I measure contestation by aggregating unique incidents as reported by the media. An incident reported by the media was identified as a contestation event if they it three criteria: reflected a negative social evaluation of the firm or its proposal, provided a clearly identifiable date for the incident, and identified a specific community member (e.g., a resident or an elected official residing in the same county or a local NGO). Using the associated rhetoric of the stakeholders and the media characterization, I identified the following types of contestation events: Protest Rally; Petition/Campaign (letter writing, membership, or signature campaign); Community Meetings; Stakeholder’s Regulatory Actions (meeting federal officials, formal intervenor status); Official Forum (Regulator- or Company-sponsored forum); Radio/TV/Online/Ad Campaign; Legal; Release of Report or Study sponsored by stakeholders; Legislative/Executive/Political action (Legislature Proceedings, Task Force, Resolution, Vote, Referendum, Bill, Hearings); Press Conference (as a collective); and Press Statement (Press Release, Individual Interviews).

Examples of Contestation Events:

Types of events	Media reporting of the incident
Protest Rally	<i>“The Mothers March Against LNG (liquefied natural gas), to protest the possible arrival of LNG terminals on the Columbia River, took place Sunday afternoon in a heavy downpour, which didn't dampen the enthusiasm of the participants one bit. A large crowd of children and adults carrying NO LNG placards passed out NO LNG fliers as they marched from the Blue Scorcher Cafe to the Bradwood Landing office on the corner Ninth and Commercial streets to issue a proclamation and to put up an ‘eviction’ notice on the door.”</i>
Official Forum	<i>“Dundalk-area residents - less than pleased by a global power company's plan to build a liquefied natural gas plant at Sparrows Point - were openly hostile last night during an open house meeting with company officials. ‘This thing is more dangerous than you all are painting,’ Dundalk resident Jerome Hancock said of the terminal proposed for a former shipyard site.”</i>
Petition/Campaign	<i>“Notice of the opposition group's formation was distributed through e-mail by the staff of the Hull Life-saving Museum. Lory Newmyer, the museum's executive director, said Save Outer Brewster consists of museum staff members but is not technically affiliated with the institution. Museum officials said yesterday that the response to the petition has been positive. Newmyer said several hundred have signed it since it began circulating a week</i>

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	<i>ago.”</i>
Legislative/Executive/Political	<i>“Lauderdale-by-the-Sea Mayor Roseann Minnet said she will submit a resolution opposing the gas plant at the town's May 27 commission meeting, saying, ‘if there's an accident, the entire town could be obliterated.’”</i>
Radio/TV/Online/And Campaign	<i>“Save The Bay is poised to begin a high-profile campaign to rally Rhode Islanders against a liquefied natural gas (LNG) terminal proposed for Mount Hope Bay. The \$12,000-effort will feature advertisements on radio, in Newport and Jamestown newspapers and on billboards on Routes 195 and 24.”</i>

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Less than 20% of the events were press conferences or statements on their own but in most instances the press conferences and statements occurred in conjunction with another event. I decided to aggregate the contestation events across multiple categories for the following reasons:

- A. These incidents represent issues for firms to the extent that the press reports them, and measuring how much media coverage each incident receives provides a way to make them comparable.
- B. Media reports are valid indicators in this context because the facility is not yet built; it is only proposed. So protests and boycotts will not cause any operational disruption since the proposal hasn't reached the operational stage. For the purpose of this study, it is the rhetoric associated with the protest that becomes important.
- C. Previous research has also shown that media reporting is the crucial factor even in cases where the firm's ongoing operations are targeted. For instance, King (2008:395) considers boycott events and finds that “corporate targets of boycotts were more likely to concede when the boycott received a great deal of media attention”.

# Curriculum Vitae

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## **Post-Secondary Education and Degrees**

PhD in Business Administration, Richard Ivey School of Business, The University of Western Ontario, Canada. 2010-2016.

MBA, Indian Institute of Management Calcutta. 2000-02. Major in Finance & Economics.

Bachelor of Engineering, Bangalore Univ., India. 1994-98. Electronics and Communications.

## **Conference Presentations**

Srikant, C.D, & Vergne, J.P. "Impression Management Strategies in Response to Social Barriers to Entry". 2015. Strategic Management Society, 35th Annual International Conference, Denver, USA.

Srikant, C.D, & Vergne, J.P. "Firm proposes, community disposes: Reacting to social barriers to entry". OMT Divisional Paper sessions, 2015 Academy of Management Meeting, Vancouver, Canada.

Srikant, C.D, & Vergne, J.P. "Dealing with Social Contestation of Environmental and Economic Solutions: Nascent Enterprises Entering Liquefied Natural Gas (LNG) Import Industry in the US". 2014. Ivey/ARCS PhD Sustainability Academy, London, Canada

Srikant, C.D, & Vergne, J.P. "Understanding the stakeholder legitimacy undermining rhetoric: Firm responses to social disapproval in emerging industries". 2014. Strategic Management Society, 34th Annual International Conference, Madrid, Spain.

Srikant, C.D, & Vergne, J.P. "A knowledge-based view of industry evolution: the rise of ethanol as a renewable fuel in the U.S." 2013. Qualitative Research Symposium, Queen's University, Canada.

## **Case**

Srikant, C.D, & Vergne, J.P. "Hess LNG: Responding to community opposition". 2016. Registered with Ivey Publishing, 8B16M062w and 9B16M062w

## **Research Assistance**

Reviewed and analyzed 101 published articles from the categories literature for: Vergne, J.P., & Wry, T. 2014. Categorizing Categorization Research: Review, Integration, and Future Directions. *Journal of Management Studies*, 51: 56–94.

Assisted in SSHRC Insight Development Grant (2013) application for Prof. Vergne. It was rated 4A (i.e., put on the waiting list) and eventually received funding internally at Ivey (\$10,000).

Coordinated iSTOR (2012-2013), a monthly research seminar for faculty and PhD students conducting research at the confluence of Strategy and Organization Theory.