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High Aims, Low Blows: Hostile Campaigning in the Corporate Sector

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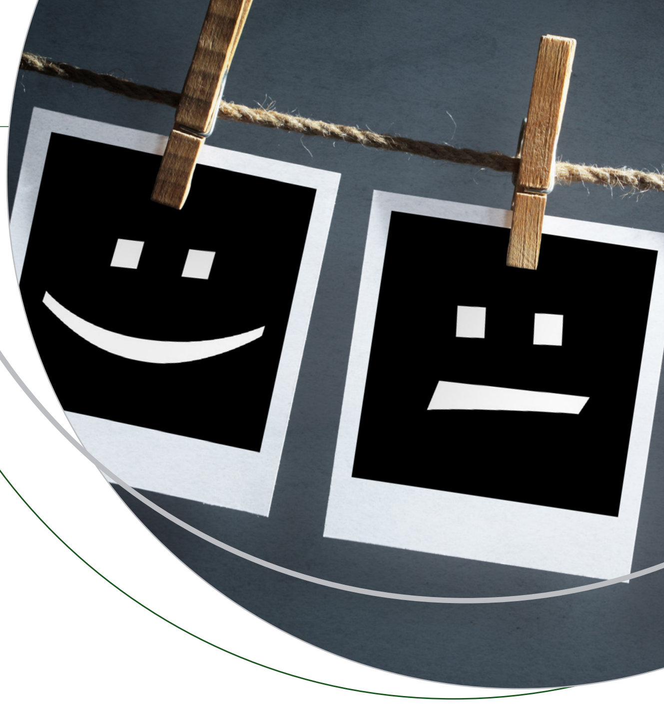
Contents



Introduction

A Google search for the phrase "be positive" yields more than one billion results. Entering "be negative," meanwhile, produces less than half of that figure. And it figures: after all, why would you go negative?

All through life, from kindergarten to confession, we are told to be positive. This outlook reflects on how we should work as well. Negativity has an aura that's undesirable in the workplace; it tends to bring out the worst in people; there's no glory in denigrating your colleague—or so we hear.

Yet, one look around shows us that's not the case. Be it the Conservative campaign for the 2015 UK General Elections or Coke and Pepsi during every Super Bowl, being hostile is an albatross to bear for some and a badge of cool to brandish for others.

The stakes are high: bellicosity is always one step away from boorishness. If you play the game in the wrong tone, then you leave the audience feeling disgusted. People won't want to buy your products; instead, you may just drive them to your opponent. Then there's the nagging worry that you may cross the line into unethical behaviour, and is that really far away from illegal behaviour? When does confrontation turn to bullying and when does bullying turn to defamation?

Basing one's position on sheer negativity seems irrational on the surface. This report aims to probe underneath and find some method to the madness. It attempts to connect the dots and see if they result in chaos or in a deceptively simple pattern.

There has been ample research on hostile campaigning in political science and international relations, but it has not analysed the corporate sector. Existing research has tended not to combine the theories of behavioural science with case studies ranging from confectionary giants to competing airports. This project is unique because it works to fuse academic literature with real-world applications and to find a foundation for boardroom behaviour in classroom research. It is another addition to Polis's drive to devise narratives around communication and furnish readers, be they academics or CEOs, with pertinent analysis around today's media landscape.

Key Findings

- **Being negative is a way of eliminating choice**

  The excess of choice can be disempowering for decision-makers, and going negative can reduce that bloat

- **Negative language is more impactful**

  People are more impacted by bad news and value avoiding losses more than they desire getting profits

- **Negative campaigning has to be backed by data**

  Effective hostile communication refrains from mudslinging and discredits rivals on the basis of forceful evidence

- **The size of the players limits negative messaging**

  The perpetrator of the hostile communication should not be larger or more established than the target. That is perceived as bullying

- **Contextual factors can facilitate negativity**

  Hostile messaging can capitalise on intangible elements in a negotiation and apply pressure on the target in a good way

- **How the world views negative discourse is pivotal**

  Regardless of the outcome of the hostile campaigning, the media and public must not feel the messaging is being unduly aggressive

Executive Summary

How does one go about being negative? This research project operated at a confluence of rigorous scientific research and impactful real life incidents to come up with answers. The two domains, instead of contradicting each other or having nothing in common, intertwined and led to greater insights. The academic literature helps us understand the inner workings of cognition and decision-making. The case studies help depict the external manifestations of these psychological phenomena.

The report is divided into two sections: **The Science of Irrationality** and **The Business of Hostility**. The first section turns to research undertaken over six decades in fields like psychology and behavioural economics. It's split into three different sections. *Audience* delves into the minds of consumers and potential decision-makers to explain how negative messaging enables them to overcome choice anxiety. *Language* penetrates vocabulary to describe how 'bad news' has an unshakeable effect of its own on the recipient, and activates their desire to avoid losses. *Speed* analyses the different circuits human cognitive systems depend on for arriving at the same decision, and how negative communication can accelerate a foregone outcome.

The Business of Hostility begins with a detailed case study used as a text for the rest of the report. It tries to comprehend workings in the business world via five sections, arranged inside-out. *Evidence* clarifies that negative messaging is not tantamount to baseless allegations but must be backed up by concrete data. *Competition* acknowledges the inevitability of comparison in any decision-making process, thus showcasing how any party that doesn't differentiate itself from its rivals is pitching itself unsatisfactorily. *Marketplace* steps back to look at the nature of the competition, and unearths how negative messaging is to be shunned when the perpetrator is regarded as being in an advantageous position. *Context* zooms out further to observe the marketplace itself, and discovers how hostile communication is particularly useful when some factors influencing negotiations are intangible. Finally, *Media* takes a macroscopic view at the entire process and reaches the conclusion that it's important to examine not just how your negative messaging is being received by the target, but also how it's being perceived by the audience.

The report concludes by reflecting on the journey and collecting learnings. There is no 'magic formula' for pulling off negative messaging. But, it would be surprising if there were. The beauty of effective hostility is its uniqueness to the particular circumstances. It should not be an assembly line recipe.

The Science of Irrationality

Before venturing out into the real world to see how and why businesses and corporations engage in the irrational behaviour of being negative or hostile, this report seeks answers in academia and research. The fields surveyed range from psychology to decision-making to behavioural economics.

I. AUDIENCE The Excess of Choice

> "Trop de choix tue le choix."
>
> Too much choice kills the choice.
>
> **French proverb**

Choice, many would say, is an inherently good thing. The sheer existence of it provides one with a sense of autonomy and agency. The alternative prospect—being bereft of choice—can single-handedly induce despondency. Moreover, choice and the presence of alternatives preclude complacency; one must keep innovating to remain attractive or witness rivals race ahead.

This is one of the key beliefs supporting free markets: provide the consumer with choice, and the rest will take care of itself. The consumer will reward the most deserving and this is sufficient incentive for providers to strive to be among the aforementioned best.

But, this is where some sceptics step in and ask us to take a step back. Barry Schwartz, a psychologist at Swarthmore College, writes in The Paradox of Choice – Why More is Less: "The fact that some choice is good doesn't mean more choice is better." He observes that no group of people in history has had as much choice as modern Americans, but they don't seem to "benefit from it psychologically." [1]

Schwartz bolsters his argument with an array of evidence, but he makes special note of a study conducted with jam, which is summarised in **Box 1 below**.

Box 1: The Jam Experiment

Paper: When Choice is Demotivating: Can One Desire Too Much of a Good Thing? [2]

Authors: Sheena Iyengar (Columbia University) and Mark Lepper (Stanford University)

Publication: Journal of Personality and Social Psychology

In this paper, Iyengar and Lepper describe an experiment they oversaw to gauge how the extent of choice affects people.

In an upscale grocery market in California known for its "extraordinary selection" and "free samples", they tried to sell jam to passers-by. Over two consecutive Saturdays, they set up a tasting booth for five hours each day. Every hour the booth would alternate between displaying six and 24 varieties of jam. For approaching the booth, each person was given a voucher that would provide them a discount on their purchase of jam.

All varieties were from the same brand so that there wouldn't be any internal discrepancy regarding quality. The brand, Wilkin & Sons, was chosen to ensure it was familiar enough to evoke name recognition among consumers but not so famous that it would induce personal favouritism. To make the choice more even-handed, the most popular flavours of jam, such as raspberry and strawberry, were not included in the display. Jam made an appropriate product for this study because its inexpensiveness allowed for experimentation in purchasing behaviour. Moreover, the variability of flavours meant there was no "right" or "wrong" option; choice would come down to personal preferences alone.

The experiment's results were striking. People, irrespective of whether they encountered six or 24 varieties of jam, only tasted about 1.5 flavours. Nearly 30% of people who were treated to the limited-variety display purchased jam subsequently. But only 3% of people who witnessed the excessive-variety display followed up with a purchase.

Iyengar and Lepper replicated this experiment with chocolates, and found that their earlier findings were repeated. Moreover, subjects who were offered more varieties to sample were less satisfied with their choice later than people who only got to sample limited varieties. The former had feelings of regret, and did not find chocolates as appealing in future iterations.

The researchers concluded that having more choice is not fundamentally desirable and reduces intrinsic motivation to perform a task. They argued that excessive choice in fact lowers the possibility of a person making a decision at all.

The implications of the experiment from **Box 1** can be understood better by looking at the burgeoning domain of choice-related anxiety. This, according to life coach Beth Follini, comes from "worrying about making the right choice." She points out that the ability to make a choice leads people to believe, naively, that they also possess the ability to control the outcomes of that choice. [3]

Thus, as Renata Salecl, visiting professor at King's College London, observes in her book Choice, people mistakenly assume there are "quick, rational solutions" to complicated questions.

> "People think the perfect choice exists.
>
> This nourishes the hope that one can make an ideal choice."
>
> **Renata Salecl, in Choice [4]**

This quixotic dream, and the worry it consequently induces, is having a serious effect on people. A 2010 study conducted by the University of Bristol claimed that the United Kingdom is a nation "crippled by choice." It found that 42% of the 6,000 people surveyed admitted to staying awake at night trying to solve life's problems. Nearly half the respondents said that life today was more confusing than it must have been during their parents' youth and that they found even little decisions hard to make. [5]

Herbert A. Simon, widely considered the founding father of the field of decision-making, analysed such problems more than sixty years ago and came up with a solution. The Nobel laureate proposed that most people commit a common folly when they are faced with choices: looking to maximise instead of satisfice. [6]

According to Simon, maximisers prefer using a more exhaustive approach when making decisions. They search for and evaluate all possible options before finalising one in order to attain the greatest possible satisfaction. However, not only is this chimerical for everyday life, it is also technically impossible: we lack the cognitive ability to maximise. We cannot evaluate the merits of all outcomes with sufficient precision, usually do not know the exact probabilities of outcomes, and possess merely finite memory.

It's no surprise then that, in post-choice reflections, maximisers report feeling regretful. In the **Box 1** study, the people offered 24 flavours of jam would have found it nigh-impossible to stay away from maximising.

This is where satisficers can walk away with a lighter burden on their shoulders. Simon suggests that a person should operate within bounded rationality, i.e. look at an option that clears the cut-offs, passes the criteria important for the choice, and settle upon it. She should look to satisfice, not maximise. And in the long run, as echoed by Schwartz in *The Paradox of Choice*, satisficing is more optimal than maximising. People who aim to satisfice report feeling pleased with their decision more often.

This has a direct implication on negative campaigning since that is, in effect, a process of eliminating choice for the decision-maker. By engaging in hostile communication against a rival, the perpetrator essentially seeks to nullify that choice for the witnesses and targets of this messaging. Ensuring the recipients of such communication feel that they have fewer logical choices to consider, the parties behind the message accelerate the decision-making process for agents and also inculcate a feeling of satisfaction among them.

For example, if two parties are engaged in a bidding war for a firm, then any aspersion cast by one group on the other means the choice is simplified for the people who ultimately have to make the decision. Not only will the probability of them choosing the perpetrator of the combative messaging increase, they will do so sooner and—if asked later—will report feeling happier with their decision. In simpler terms, a win-win-win situation.

II. LANGUAGE The Power of Negative Speak

"Bad news has good legs."

Richard Llewellyn, in How Green Was My Valley[7]

The previous section showed how the sprawl of choice in today's market economies and capitalist societies can often have negative repercussions for a decision-maker. Excising or trimming choice can be beneficial for an audience, but for opinion leaders there are multiple ways to go about the task of pruning. This section will delve into why speaking in hostile terms may, in fact, be the most effective approach sometimes and how bad news has an undeniable power of its own.

Paul Dolan, Professor of Behavioural Science at the London School of Economics (LSE), was part of a recent team that conducted an experiment to test differences in the responses people have to messaging depending on the messaging's phrasing. The study and its discoveries are presented in **Box 2**:

Box 2: To Be or Not to Be

Paper: Paying People to Eat or Not to Eat? Carryover Effects of Monetary Incentives on Eating Behaviour[8]

Authors: Paul Dolan (The London School of Economics), Matteo M. Galizzi (The London School of Economics), and Daniel Navarro-Martinez (King's College London)

Publication: Social Science & Medicine

Two kinds of incentive schemes are widely used in policy, boardrooms, and everyday life: encouragement to act on behaviour and to abstain from acting on behaviour. However, according to the researchers, the efficacy of these polar opposite tactics has never been tested head-to-head.

Therefore, they conducted a study with 353 participants, wherein each participant was invited into an experimental setting. A computer screen was allotted to each participant, where they had to watch three short videos on one day and a fourth short video two days later. A bowl of sweets (Jelly Beans) was placed next to them as they sat in front of the screen. The videos were purposefully picked to be boring; the lack of entertainment would lull participants into eating more sweets. For example, one of the videos was about London's bus system in the 1950's.

One set of participants were informed midway that they would be paid £3 at the end if they ate at least 10 Jelly Beans during the next video. Another set of participants were told that they would be paid £3 if they did not eat Jelly Beans in that timeframe. The behaviour of all participants was observed during this session; the amount of sweets they consumed were noted down. The carryover effects of this messaging were tested by observing the participants' behaviour two days later, over the fourth video.

The results helped the researchers conclude that both modes of messaging were useful in the short term. Participants altered their behaviour to earn the £3 incentive. However, only the language that warned participants not to eat sweets had any carryover effects. That set of participants consumed less sweets two days later, even when all monetary incentives were removed.

This led them to recommend that incentives to abstain from acting are likely to have more powerful and long-lasting effects on behaviour than the alternative. These tendencies are corroborated by looking at, say, nutrition labelling on foods, where people respond more strongly to negative messages than positive ones.

The starkness of the findings from **Box 2** can be contextualised by turning to Daniel Kahneman, professor emeritus at Princeton University's Woodrow Wilson School, who wrote: "The brains of humans contain a mechanism that is designed to give priority to bad news."[9]

He was extrapolating from empirical research by some of his colleagues, primarily a landmark 2001 paper simply titled "Bad is stronger than good." In it, the authors proved that people process bad information "more thoroughly" than good, bad impressions once formed are "harder to disconfirm," and that there are "hardly any exceptions" to this among psychological phenomena.[10]

Kahneman had worked extensively with Amos Tversky to explain such seemingly irrational behaviour, and was awarded the Nobel Memorial Prize for Economic Sciences in 2002. He is the only person in history to have received this award despite not being an economist. The two researchers attribute this to "loss aversion," which is a human tendency to strongly prefer avoiding losses (by approximately twice as much) to acquiring gains. This "asymmetric intensity of motives" could also help rationalise why humans would be affected by negativity—usually a harbinger of losses—more than they would be bolstered by positivity, even if it promises gains.[11]

Such realisations haven't just been restricted to academia or peer-reviewed journals. From fairy tales to public statements by celebrities to strategic communication guidebooks, the supremacy of bad news is beyond reproach. In an interview with *The New York Times* comedian Tracy Morgan was asked about representing his persona faithfully in today's media landscape. He remarked, "Bad news travels at the speed of light, good news travels like molasses." 12 He would have found support from Bill Gates, who, representing the Bill & Melinda Gates Foundation, once said to *Bloomberg*, "Bad news is a headline and gradual improvement is not." [13]

In the corporate sector as well, there is ample evidence—anecdotal or otherwise—that information about acrimony, dispute, or failure grabs attention quicker than news about success. As Tim Burt states in *Dark Art: The Changing Face of Public Relations,* "allegations of corporate wrongdoing always rank higher than corporate success stories." [14]

However, this need not be cause for dismay. One may even see opportunity here. If science and experience prove that praising yourself is not as impactful or long-lasting as articulating your opponents' shortcomings, then one can capitalise on the combined potential of negative language and bad news. One can wrest control of the narrative and pursue it for achieving one's own ends.

Moreover, if it's psychologically proven that any recipient is more prone to engaging in action if it is to save their skin rather than to shine it, a strategist or firm can frame the debate for the decision-maker in terms that make it evident that what's at stake with the choice is not some vague promise of benefit but a very imminent threat of loss. This could not only shear choice, i.e. the original motive, but thoroughly debilitate the target of such negative communication. The possibilities are immense.

The *New Yorker's* James Surowiecki echoed this sentiment perfectly: "In the business world, bad news is usually good news—for somebody else." [15]

III. SPEED The Quickest Means to an End

The first section attempted to shine light on how choice can be perceived as a bloat and burden by the people it's meant to empower. Lessening the choice could end up making the public happier as well. The second section proceeded to argue how an effective way of reducing that bloat was engaging in negative communication and appealing to people's natural proclivities of loss aversion. There is a seeming irrationality in human behaviour, and including that in strategy is important for anyone planning a narrative.

This third section, , will explain how negative messaging and working with people's emotions may be the most efficient way of communication as well. These behavioural manifestations that may, at first, seem puzzling are in reality underpinned by a clear rationality.

Returning to Daniel Kahneman's pioneering research in behavioural science, it is worth pausing to examine his categorisation of the functioning of a human brain into two 'systems', what he calls System 1 and 2. [16] The characteristics of each are delineated in **Table 1**:

Table 1: The Two Systems

System 1	System 2
Fast	Slow
Automatic	Effortful
Frequent	Infrequent
Emotional	Logical
Stereotypic	Calculating
Subconscious	Conscious

It may seem that in an ideal world, the more fastidious System 2 would be in charge of all life decisions in order to prohibit any scope for error. And major choices are certainly made with System 2's input: one wouldn't decide which university to attend or which house to buy without some amount of calculation and logical reasoning involved. However, utilising the deliberative System 2 for everything is time-consuming. Why would one want to undertake meticulous calculations for deciding which pack of biscuits to purchase at the supermarket?

Thankfully, humanity's cognitive skills have evolved to render that redundant. As the brain performs a certain set of actions or a particular function repeatedly, it becomes adept at the mental processing and physical movement involved. Think back to the first time you tried to multiply two numbers and now to the latest occasion you did that. The difference in difficulty level, time consumed, and energy needed is massive, and rightly so. If the brain 'upskills' and gains dexterity with something, that task may be moved from System 2 to its faster sibling, System 1.

Therefore, Kahneman implores readers to not see System 1 as a pejorative. It is, in fact, a diligently honed cognitive approach that utilises a lifetime's worth of experiences to devise nigh-Pavlovian responses to external stimuli. "Intuition is nothing more and nothing less than recognition," writes the professor. System 1 may be intuitive and subconscious, but it's trustworthy and—more important—essential, given the millions of decisions a normal person has to make over the course of a day.

A major component of how the brain processes System 1 decisions is via social norms. What society is collectively doing serves as a reliable indicator for what's right—or, more important, "not wrong." This desire to be a face in the crowd (for 'standing out' in this scenario would be the consequence of being disastrously wrong) is an organic offshoot of a person's loss aversion propensity. One must avoid major setbacks, such as being wrong, reliable way of doing that is to watch what one's peers are doingand intuitively emulate that.

This knowledge can be valuable in a holistic communication strategy. If the overarching goal is to reduce the choice filling out the marketplace, then this ambition is achieved through several smaller missions. One must try to eliminate the competitors masquerading as alternative choices to the same demographic. A brutal but impactful way of doing that is framing the decision in negative language with the spectre of bad news looming on the horizon. People will respond more forcefully to the emphatic nature of negative phrasing and discard alternatives quicker.

The aforementioned initiative can be planned more thoroughly if the appeal is made in ways that induce people's System 1 modes. If their intuition gives them warning signs about the alternatives, then this cognitive approach will also reflexively guide them towards making a favourable decision in a reasonable timeframe. To ensure the outcome of the appeal is predictable, the perpetrators of such communication can enclose it in a discussion of social norms. If the eventual choice by the decision-maker can be said to reflect on their social identity, then they'd be more eager about looking out for societal indicators. Their loss aversion inclinations would be more powerful, and they'd also feel more secure about their commitment to the choice.

In these three sections, different fields, researchers, and studies from the sciences have been evoked to provide a framework for why negative communication exists, why it's effective, and how it can be targeted more precisely. Empirical evidence and anecdotal experiences have been presented to solidify the believability of the arguments.

Now, the report will turn to the industries, media, and the corporate sector to examine whether these lessons have been imbibed and, more important, adapted to the real world. Case studies and examples will be used to test the assumptions against the actions of individuals and firms in the recent past.

The Business Of Hostility

We begin with a detailed case study set in China 15 years ago. As the narrative unfolds, various details will be noted so they can be referred to later. The report then dissects the case study for analysing different factors that any party involved in negative communication, either as a perpetrator or as a reactor, must consider. The factors will be elaborated upon and supplemented by further evidence from the real world—spanning the media, industry, and politics—to strengthen the arguments being made.

Case 1: A Foreign Takeover

Players: Newbridge Capital vs Shenzhen Development Bank

China's first regional development bank was set up in the coastal city of Shenzhen, the site of the country's first Special Economic Zone (SEZ). The Shenzhen Development Bank (SDB) was founded in 1987 by the regional government, and was the seventh bank in China to get a much-prized nationwide banking license. It was also the first listed entity on the Shenzhen Stock Exchange, receiving the code SZSE000001. [17]

The banking sector in China at that time was riddled with corruption, political interference, and inefficient management. Regional banks were pressured into supporting the vicinity's state-owned enterprises by lending to them regardless of the enterprise's reliability and the loan's recoverability. The four largest banks, all state-owned and colloquially termed 'the Big 4', did not have to cave in to such pressure constantly; they could cite different management teams at the national and provincial level as one reason for being unable to fulfil requests.

Consequently, by the second half of the '90's, SDB ended up as one of the worst-performing listed banks in China. The number of non-performing loans (NPLs) was so high that SDB had no capital left to issue new loans. Its official accounts claimed it had 20% NPLs, whereas other sources believed the actual figure was nearly twice that. [18]

The Chinese government, meanwhile, had immediate reform on its agenda. It signed a deal in 2001 to join the World Trade Organisation (WTO). As part of the agreement, after a 5-year grace period, China would have to open itself up to the presence of international banks. The central government was setting up Asset Management Companies (AMCs) to strengthen the Big 4 and re-infuse them with capital, but informed the provincial governments that banks like SDB would not be protected by such measures. Very soon, SDB and its ilk would have to compete with Deutsche Bank, Barclays, and other players that didn't have to deal with political heavyweights breathing down their neck or wasteful practices debilitating their balance sheets. The regional government owned nearly 18% of SDB's shares, the right to appoint a CEO and chairman, and a majority of the positions in the 15-member board. It began looking for foreign investors that would be willing to purchase its stake. [19]

Enter Newbridge Capital, a new private-equity fund formed by the American investment firm Texas Pacific Group (TPG), with an eye on helping western investors penetrate the Asian market. It was headed by Shan Weijian, a former MBA professor in the Wharton School at the University of Pennsylvania who had previously been a managing director at JP Morgan. Newbridge was hot on the heels of a spectacular turnaround investment in Korea First Bank, which it bought after the Asian financial crisis and turned into South Korea's soundest lender.

The private-equity firm campaigned diligently to purchase the regional government's stake and ultimately beat out all other competitors. It agreed to "not flip" its ownership, i.e. stay for at least five years. With an offer of $160 million, at around 1.6 times net book value, it completed the negotiations and gained managerial control of SDB. 20

However, proceedings turned sour almost immediately. The existing management were wary of losing their coveted jobs given Newbridge's reputation for turnarounds. They started a hostile campaign against the new owners by approaching both the provincial and the central governments.

The campaign assumed multiple dimensions, chief among them being an allegation that Newbridge had used unfair means to emerge victorious in the deal. The Mayor of Shenzhen was accused of "colluding" with the firm and selling the government stake in SDB—by definition a state asset—for an unnaturally low price. At the time of the sale, SDB

shares were trading for 4.5 times net book value, meaning Newbridge had somehow wrangled a 70% discount. An additional claim was that the American firm's bidding rivals could in fact pay a higher price for the same stake and lead to a better outcome for the government and, indirectly, the public.

Shan Weijian and Newbridge did not take this lying down, but instead responded with their own multipronged attacking campaign. They sued the seller for damages. PricewaterhouseCoopers had been the auditor of the transaction; Newbridge first engaged their services to produce a "due diligence" report. This research revealed that SDB's official estimates of its NPLs were incorrect and that the bank was technically bankrupt. The data thus cast doubt on all figures emanating from SDB and changed the status quo.

Then, Newbridge pointed out how the share price was not a robust yardstick for comparison given the predominance of small-time investors in any Chinese stock exchange. Their knowledge of the market, industry, sector, or firm couldn't be treated as gospel. They highlighted the discrepancies between SDB's net book value and that of 20 other banks, terming the disparity "speculation noise" and trimming that from calculations of worth.

These arguments were being made using numbers and tables, but Newbridge also recognised the geopolitical and sociocultural factors influencing this protracted battle. They knew that their main bidding rival had been the Chinatrust Commercial Bank, a privately owned company headquartered in Taiwan. The political ramifications of a Taiwanese private-sector firm taking over managerial control of a Chinese government-founded financial institution would leave everyone in the corridors of power red-faced with embarrassment. Newbridge played up the losses of this outcome as a doomsday scenario, knowing that Chinatrust's offer—even if it were higher—would not be permitted for reasons permeating beyond figures.

It continued by highlighting the weaknesses of its rivals, nearly all of whom were foreign banks and could be regarded as eventual competitors for SDB. This strategy underlined Newbridge's status as a non-banking and non-competing firm, which would make the government feel safer entrusting it with ownership of SDB, and emphasised Newbridge's experience with Asian markets, which would make the government feel like they were getting the best of both worlds: a foreign owner who also recognised the peculiarities that Asian business environments can pose.

Concurrently, Newbridge waged an international media campaign highlighting its plight in Chinese negotiations. The eyes of the world were trained on this deal as an example of things to come, for several foreign investors were raring to buy slices of ownership in Chinese banks. Such topsy-turvy behaviour and miscommunication between governments at different levels did not bode well with China's pledge to adhere to the WTO regulations and open its economy by 2006. The negative reputational repercussions of this arrangement disentangling were made evident in the media coverage. Eventually, it became a matter of pragmatism and principle for the Chinese central government to ensure that the deal wasn't undone and Newbridge not ousted in an unceremonious manner. The significance of this negotiation staying intact gained precedence over the concerns of the existing management.

And thus, after two years that began with cordial negotiations but ended with an unpleasant international lawsuit and included broken promises and a media circus in between, Newbridge was reinstated as the managerial stakeholder in SDB.

This report does not by any means endorse the behaviour of either Shenzhen Development Bank or Newbridge Capital—as outlined in **Case 1** or otherwise. It provides a narrative of the incident because this contains many facets that are encompassed in the ambit of the report. Now, in the forthcoming dissection, readers will see what negative campaigning can comprise of, what perpetrators must seek to avoid, and what recipients should try to guard against.

I. EVIDENCE Truth Always Triumphs

> "People are interested in the facts,
>
> but not in the tendentious, selective presentation of them."
>
> **Head of an unnamed international PR agency 21**

Reflecting on **Case Study 1,** it is evident that an essential part of Newbridge Capital's response strategy was to present data that would disprove some accusations made against it. This was the first step they took, and in hindsight it seems their effort to get back to the negotiating table would have been a much steeper uphill climb had they not presented such figures. Numbers are facts: internally valid and externally replicable. Facts are inarguable.

In the 2014 Edelman Trust Barometer, respondents claimed that when it comes to the task of "rebuilding trust", CEOs can achieve 81% of of it by "telling the truth regardless of how unpopular it is." 22 In today's globalised and always-connected world, suppressing information is an impractical proposition. The chances of such a strategy coming off well are low, and the long-term risks outweigh any short-term benefits by far. Instead, providing clear and lucid facts can allow a company to be considered an outpost for truth, since in the eyes of the populace, the media may be susceptible to embellishment.

Such exaggeration can be especially pernicious for a company when it's under attack, because aggression by default would include the casting of aspersions by others. In a crisis, the company should not only assume the responsibility but also take the prerogative to release accurate data to the public and particularly to concerned stakeholders as soon as possible.

This is easier said than done, as Tim Burt notes in Dark Art: "Large companies have a problem with telling the truth about their activities." Two times in the last decade, the global public relations firm Burson-Marsteller worked for a technological giant in order to challenge or smear Google. In both cases, it initially refused to reveal the name of its client. In both cases, the firm was harshly challenged on its motives and who it was working for. And in both cases, the clients had to eventually come forward and admit their identity and their relationship with Burson-Marsteller, leaving the firm itself in the lurch. [23]

In the first case, it was hired by Microsoft to lobby several UK businesses against the dominance of Google in search. It launched a new organisation, the Initiative for Competitive Online Marketplaces, that would release primarily negative announcements about Google. After continued scepticism, Microsoft admitted in 2007 that it had an "ongoing relationship" with the firm. [24]

The second, more damning incident is described in **Case 2**:

Case 2: An Anonymous Whistle-blower

Players: Burson-Marsteller vs Facebook vs Google

Facebook hired Burson-Marsteller to pitch attacking stories about Google's Social Circle, a social network feature in Gmail. Two staff members at the firm, who were previously journalists, approached major US publications like The Washington Post and USA Today with offers of ghost-writing op-eds on the issue of privacy concerns arising from the feature. In their proposals, they claimed Google was flagrantly violating its agreement with the Federal Trade Commission by building "deeply personal dossiers" on millions of users after scraping "private data."

When they contacted internet security blogger Chris Soghoian about publishing such a story, they were questioned about the identity of their client and, in response, they stonewalled Soghoian. The blogger posted his entire conversation with Burson-Marsteller's representatives online and the identity of the mystery client was soon pieced together. [25]

Facebook admitted to hiring Burson-Marsteller and, after the public outrage, terminated its contract. The agency's spokesman, meanwhile, regretfully conceded later, "The assignment […] should have been declined" as it was "not at all standard operating procedure." [26]

A request to stay anonymous should raise anyone's eyebrows, especially when it's done for the purposes of defacing a business rival. Moreover, if the overarching desire is to serve the greater good or help inform the public, then a vital part of that is the messenger's credibility. If one can't trust the messenger, then one can't trust the message that messenger wishes to impart. It's true that for some information the public would believe the media more than it would a player with a substantial stake in the outcome of the narrative. However, Burson-Marsteller should have realised that the media would also need a face and figure to believe before it could publish such messages.

The above guidelines would not work if one were dealing with a whistle-blower, but two figures representing a global corporate agency cannot simultaneously claim to be moles as well. It is worth quoting Dark Art again for it abstracts the lessons from such cases: [27]

> "There is no justification for the PR firm to claim
>
> it's an innocent messenger for a client who deserves a hearing.
>
> Such a defence falls away when it becomes clear that
>
> the incentive for the messenger is not born of vocational intent;
>
> it's just a matter of fees."

II. COMPETITION Knowing Your Rival

Choice is an inevitable trait of free markets. This may seem like a harsh truth to accept, but it's the truth for a reason. Every opportunity to say yes to something is also an opportunity to say no to something else. Every decision about choice is essentially a leap of faith. Customers, the audience, shareholders, and board members are always thinking along these lines, and rightly so. Parties awaiting the choice must recognise what they're going up against, act accordingly, and reduce the size of the leap for decision-makers.

You can't promote your product or services in a vacuum. Your ability to convince customers to pick you depends on three factors: the substantial merit of your own case, the skill with which you articulate said case, and the perspective with which you depict the competing case(s). Any argument where you tout the strengths of your offering without acknowledging the competition is inherently incomplete. To echo Schwartz's vision of optimal satisficing, you must make people feel confident about deciding on you. A vital component of this process is showcasing why deciding on you is *better than* deciding on someone else.

In **Case 1**, Newbridge Capital had several advantages to its offer. Some of them were self-evident, such as its experience with Asian markets and financial institutions. However, some of them only gained their fullest stature when portrayed in a comparative light with the rival bidding firms. Therefore, Shan Weijian's team not only had to brandish its record with Korea First Bank, but it also had to convey how Newbridge's status as a non-banking financial institution would mean it didn't have any confrontational vested interests with Shenzhen Development Bank and would never be its direct competitor, *unlike* other bidders. It is impossible to imagine this approach being as effective if the limitations of competitors were not highlighted.

Case 3, seen below, describes another campaigning process where attacking one's rival was indispensable for appealing to decision-makers.

Case 3: A Stuck Runway

Players: Heathrow vs Gatwick

On 1 July 2015, the Airport Commission, constituted under the leadership of Sir Howard Davies in 2012, announced its verdict on which of the two airports should receive an additional runway. [28]

The keenly anticipated report was expected to indicate some support for Gatwick, but instead concluded that Heathrow was the "clear and unanimous" choice for expansion. It said Gatwick was "unlikely" to provide the capacity most "urgently needed", and that the benefits to Heathrow's offering were "significantly greater" than Gatwick's.

As both airports solicited popular and political backing for their cause, a key plank of their campaign was hyping up the negative outcomes if they weren't picked. Gatwick stressed that Heathrow's plan wasn't "even deliverable". Given David Cameron's public disapproval of a third runway at Heathrow, expanding the airport would amount to a political backflip. Moreover, it would harm the households of nearby communities. [29]

'Back Heathrow', a community support group founded and funded by Heathrow, distributed questionnaires to 75000 such households heavily implying that if the airport couldn't expand, it would have to shut down. Sir Roy McNulty, Gatwick's chairman, publicly attacked Heathrow for such fear-inducing tactics. [30]

Today, the issue is still undecided. Gatwick has responded to the Commission's recommendations with its own report. CEO Stewart Wingate's remarks might hold some patterns for attentive readers:

"Britain is in danger of losing out once again if we repeat mistakes of the past – Heathrow has failed time and again." [31]

It is worth noting that such cases—where one option has to be picked directly over another—cannot be extrapolated to all scenarios. However, general lessons can still be picked up from the strategies deployed by both parties. Heathrow and Gatwick embedded threats of dire effects following their rejection into their messaging. The former painted a dystopian vision where, if not selected, the airport would just cease to exist. As noted earlier, appealing to the recipient's loss aversion inclinations is a psychologically-proven method of increasing chances of success with communication. Heathrow targeted its messaging at people's status-quo bias and utilised that to its advantage.

Gatwick, meanwhile, built the solidity of its case upon the weaknesses of Heathrow's. It recognised that the Commission and then the UK Government won't select Gatwick for allocating the significant resources needed for expansion without considering how it compares to Heathrow. Any campaign would be incomplete and handicapped if it didn't undertake the comparisons itself. As Herbert Simon would have wanted, Gatwick's strategy would be not to induce people's maximising tendencies—for which it'd have to talk at length only about the merits of its offering—but to their satisficing leanings, necessitating legwork on Heathrow's offering and the shortcomings in it.

An added benefit of following such a path is it can fulfil the audience's innate desire for the complete picture and accurate messaging. If negative communication about a rival is based not on aspersion and mudslinging but on evidence and reasoning, then the audience may actually be grateful for such data-backed propositions.

III. MARKETPLACE Size Does Matter

"In a shoving match, whoever is perceived by the public to be the bully loses in the public eye."

Larry L. Smith

President of the Institute for Crisis Management 32

Looking back at Case 1, one notices that Newbridge Capital is actually a combatant in two battles. In the first one, it has to ward off competition from other firms bidding for the managerial stake in Shenzhen Development Bank. It's reasonable to assume that all the players here are of comparable size, or at least meant to be viewed equally. In the second, Newbridge is going up against multiple rungs of the Chinese establishment simultaneously, from the Shenzhen Mayor's Office to the central government. It is undeniably the underdog.

Negative campaigning is inherently belligerent. It features hostility and attack. Thus, the nature, size, and posturing of the players—both perpetrator and target—are important traits in how it will play out and, more important, how it will be perceived.

There are two scenarios where attacking communication can be considered fair game. The first is *Clash of the Titans*, wherein both players are similarly big or small and can hence parry blows with each other. This is why an even-handed bilateral competition lends itself to negative campaigning so easily, as seen in Case 3.

The second is *David vs Goliath*, where a relatively small entity, usually a new entrant, has to compete with a much bigger rival, usually the establishment or an incumbent. The second scenario explain why firms battling unfair regulation or lethargic bureaucracy could resort to hostile campaigning. It also helps grasp why "positive disruptors" in any industry, be it Uber in public taxis or Pure Gym in the UK gym market, hinge their appeal so vociferously on the reduced utility of the existing industry heavyweights in comparison to them. **Case 1** contained fully realised versions of both scenarios.

The scenario left out of this framework is one where a large firm or party is feeling threatened by a rival smaller in size. Negative campaigning should be avoided in such a situation, as it first and foremost reflects badly on the perpetrator and subsequently plays into the hands of the target. The belligerence in such a campaign comes off as bullying, and the direct confrontation doesn't epitomise swagger as much as it does insecurity. **Case 4** recaps an incident ripe in the public memory for furthering this theory.

Case 4: A Disgruntled Employee

Players: Greg Smith vs Goldman Sachs

In March 2012, Greg Smith, a midlevel executive in Goldman Sachs's London office, resigned from the company and authored an explosive op-ed in *The New York Times* titled 'Why I Am Leaving Goldman Sachs'. In it, he accused the investment banking firm of exploiting its clients and termed the workplace environment "toxic and destructive." [33] A tell-all memoir was apparently set to follow a few months later.

Smith's former employers were stunned and went into damage control mode utilizing a scorched earth strategy. They "leaked" Smith's year-end reviews to Bloomberg, in an attempt to out him as an underperforming and deluded employee. 34 In off-the-record media briefings to news organizations, they painted Smith's performance as lacklustre, hinting he would have been dismissed from the firm anyway.

Behind Goldman Sachs's aggression was "real, genuine panic." [35]

This publicity fuelled a bidding war for the publication rights to Greg Smith's book, with the winning publisher—a subsidiary of Hachette—offering a $1.5 million advance. [36] When the book eventually came out, it left critics underwhelmed with the paucity of concrete details, preference for fuzzy anecdotes over straight retelling, and narrative details that contradicted reality. [37]

A Goldman Sachs spokesperson said they were "relieved" upon reading the book. The *Dealbook* blog at *The New York Times* pointed out how some details in the book actually served to bolster the firm's reputation, such as its policy of encouraging employees to confess to mistakes for passing them off as understandable human error. [38]

No single party comes off perfectly clean in the above scenario, which is precisely why it yields enlightening analysis and offers many takeaways. In the first half of the story, Smith was merely a former employee who, seemingly, had something concrete and evidence-backed to say about a giant multinational firm. It appears uncouth of Goldman Sachs to have been so brutal in their response campaign. They were the giants in the scenario, and the resulting attacks not only attracted more attention to Smith's original article but also probably drove publishers to fight for his memoir. A "veteran Wall Street PR maven" told *New York Magazine* that Goldman's behaviour was "overkill" and would never have happened fifteen years ago. [39]

However, once Smith was backed by a major publisher and—as a crusading author—had promised a harsher exposé of the firm, he was in many ways an 'equal' to Goldman Sachs on the media stage. This was now a *Clash of the Titans*. With his book falling prey to "overpromise, under-deliver," he was a justified target for criticism. Goldman Sachs's reputation was partly alleviated by some of the basic ethical errors committed by Smith in his writing and unintentional praise of the firm's workplace ethics. Not for nothing was a *Dealbook* column near the book's release titled 'Is Greg Smith Believable?'

It is impossible to concoct a robust counterfactual questioning what would have happened had Goldman Sachs not acted out of panic in the beginning and refrained from attacking Smith from a bully's position. But they probably incurred more damage from their rash damage control strategy than they did from a surprisingly benign book.

IV. CONTEXT Reading Between the Lines

Newbridge Capital would perhaps have saved itself from crisis and regained the Shenzhen Development Bank stake even if it had stopped after producing the 'due diligence' report and showing figures that backed its actions. However, that presumes the deal and the ensuing controversy in **Case 1** were only about numbers—when they were clearly more than that.

Every negotiation has a positional value. What matters isn't just the outcome, but also what that outcome *represents*. Any result reached alters the status quo, and the people who are affected by this change will also be invested in what settlement was agreed upon. How people will interpret the result should be an important concern for any far-sighted negotiator. There are egos at stake, and a compromise—by definition—means one of those egos had to step down.

Shan Weijian and his team recognised that where the strife had originated wasn't in the amount of money exchanging hands, it was in the people who were scared of losing their livelihoods—a humane concern. These people had complained to the central government and accused the Mayor's office of collusion in an effort to block the deal. Simultaneously, Newbridge noticed that one thing that could supersede this attack was a government-level concern of a reputational crisis in an international arena. Nothing would be a greater cause than the integrity of a nation's regulations and character, and Newbridge would bring that cause into the limelight for achieving its own ends.

First, the fund highlighted how its main bidding rival was a Taiwanese private-sector firm, knowing that the intangible consequences of such a firm owning a Chinese regional development bank would be cataclysmic. This is an epitome of negative communication; it discredits the opponent and it advances the perpetrator's goal by requesting the audience to 'satisfice' itself by choosing the perpetrator primarily because it's better than the alternative.

Second, it hinted at the context its ouster would be perceived in, given China's agreement with the WTO, the impending closure of the five-year grace period, and the ranks of foreign investors who'd be turned away after witnessing Newbridge's unpredictable ordeal. One can observe an underlying theme of loss aversion throughout such messaging; the depressing fallout of letting Newbridge go was impressed so heavily upon domestic players in China that they'd abandon initial misgivings to welcome it back.

Case 5: A Hostile Acquisition

Players: Exor vs PartnerRe

Over three months of protracted negotiations, the Italian Agnelli family's investment arm, Exor, tried to buy PartnerRe. [40] The resistance from the Bermuda-based reinsurer was fierce and, at times, unrelenting. It criticized Exor's offer on numerous fronts. PartnerRe "picked holes in the legal structure of [Exor's] bid and accused it of being too indebted to own the reinsurer," according to Breaking Views columnist Neil Unmack. [41] It was also concerned that any domino effect from Exor's other properties would damage PartnerRe's credit rating, and that its preferred shareholders would be downgraded after the acquisition. [42]

Exor didn't back down but, instead, claimed PartnerRe's objections had ulterior motives, namely that of safeguarding its own planned merger with the insurer Axis. The firm was urging its shareholders to vote for Axis and reject Exor's offer as late as 10 days before the final deal was announced. [43]

Eventually, PartnerRe's board switched sides and Exor won its prize with a $6.9 million bid, 8% more than its original offer. It also agreed on improved terms for PartnerRe's preferred shareholders and committed to pay a $225m termination fee under certain circumstances. [44]

On the surface, it might seem as if Exor got the short end of the stick. However, probing deeper helps one make sense of the Italian family's persistence. Exor's portfolio until recently contained automobile manufacturer Fiat Chrysler and capital goods firm CNH Industrial. Both are rather volatile businesses in capital-intensive fields. PartnerRe, on the other hand, is more stable and would provide a much-needed route of diversification for the Italian investor.

Additionally, it marked a successful hostile deal in insurance, a sector in which the completion of such negotiations is a rarity. This would reflect extremely positively on the head of Exor, John Elkann, whose dexterity with deal making is now public knowledge. Probably a future target of acquisition would know that he can remain stubborn despite facing any hostility and get what he wants. Getting Newbridge Capital back on the board of Shenzhen Development Bank was a similar personal achievement for Shan Weijian, who had by then attained two major Asian successes in a short span of time.

Acknowledging that business doesn't take place in a vacuum—or a hermetic bubble of numerical bottom lines—can help open one up to the value of negative campaigning, which is an unconventional strategy with many obvious risks but several far-reaching benefits as well.

IV. MEDIA Riding the Narrative

> "As much as we all like to plot and plan—mainly to allow us the illusion that we are controlling the future—media campaigns rarely work like that, and a defence campaign even less so."
>
> **Tony Datson**
>
> **Former Head of Global Communication (Financial) at Cadbury**

Historically, PR firms have been sought in the role of "fixers", specialists who come in after the revelation of a problem to solve it quickly and with as little damage as possible. After the Deepwater Horizon disaster of 2010, British Petroleum (BP) tried to shrug blame off by blaming Transocean, a move that ended up backfiring for the company. A BP official who was enmeshed in the crisis response team later said, "It is clear that clients need to think about reputational risks in peacetime, not war." [45]

For BP the crisis was worsened because of the lack of data they had about their own reputation. In *Dark Art*, Tim Burt states that if a thorough reputation test had been applied to BP, the results would have shown a staggering perception gap between how the company thought it was regarded in the U.S. and the reality of public opinion, which was wary of energy corporations after several recent safety lapses.

Perhaps, if BP had planned its communication strategy and prepared a disaster response plan in a pre-emptive mode, they would have known whether they were in any position to initiate a negative campaign against another firm to begin with.

The media acts as an arbitrator of public communication, and its role is particularly important in hostile campaigns. Initiating negative messaging while the media or populace is unaware of the bigger picture is a dangerous prospect and should be avoided.

In **Case 1**, Newbridge Capital acted with the notion that the media had to play an integral role in their campaign. The impact of their due diligence report would have been muted if more people didn't realise that the Shenzhen Development Bank was misguided about its own NPLs. This opening salvo throwing the Bank's credibility into question needed to be publicised. If it had taken place behind closed doors, then the harmful status quo—that Newbridge had purchased state assets at a suspiciously low price—would have continued perpetuating despite concrete evidence pointing otherwise and damaged Newbridge's position perhaps irrevocably.

More importantly, while it was stuck in a bog, after being evicted from the board, and uncertain what the Chinese regulatory authorities would decide next, it couldn't initiate any conventional, proactive moves. Instead of letting the issue die down during the waiting period—for both the authorities and the international watching parties—Newbridge utilised the media to tighten the screws. By highlighting its ordeal in China and making a news story out of the *lack* of any news story, i.e. its waiting period, it ended up pressurising the Chinese authorities to not only act quicker but also decide in its favour.

PartnerRe, by publicly dissecting Exor's acquisition offer and making news out of its discontent, kept receiving higher offers till they were satisfied with one. Similarly, Cadbury, when the target of a hostile takeover attempt from Kraft Foods, utilised its status as a historic UK company to be on the front page of national newspapers for four months. It claimed Kraft's offer was "unattractive" 46, said it would prefer virtually any other confectionary player (like Nestlé and Ferrero), and derided Kraft for being a mere cheese-maker. Kraft eventually reached a deal to acquire Cadbury, but not before the defence advisory team—formed by chairman Sir Roger Carr immediately after learning about the takeover attempt—delivered £1.6 billion more in incremental value to its shareholders [47].

In earlier times, before the Internet and the advent of social media, organisations with their advising firms could decide what information to "push" out into the public and at what time. However, today, that's a naïve and obsolete idea. Facing a more fragmented media landscape, shorter attention spans, and many more competitors with their own messages at the ready, firms have to get to grips with a "pull" mechanism where their messaging may be ignored by the audience who decide what information they want to consume and how.

Given this stark realisation, perhaps it's understandable why a party would act negatively, use the language of loss aversion, and try to cut through clutter by appealing to people's base emotions. There is little room for those who prefer to act otherwise.

Conclusions

"You don't own your brand exclusively anymore.

If you're not out there engaging in a discussion with people authentically, you're losing out, because they're going to create perceptions about you that you don't like."

Gary Sheffer

Vice-President of Communication & Public Affairs

General Electric

If there's one lesson that's become overwhelmingly clear over the course of this report, it's that corporations and individuals ignore their perception at their own peril. Communication is less a one-way street today than it ever was, and waiting for a crisis to hit you before you formulate a response plan is a recipe for disaster. No one's offerings exist in a vacuum, even monopolies have to deal with an unsatisfied public. The sprawl of choice means customers are instead clamouring for some options to be discredited for them. If you don't engage in such communication yourself, then at least be ready for your rivals to consider it. And remember, a diminished reputation can affect a company's value by at least 7%. [48]

If you're keen on initiating such messaging, be happy: both history and science have insights to guide you. Scientific research has shown that there is a way to communicate negatively that impacts your audience, hastens their decision-making, and reduces the attractiveness of your competitors.

Numerous organisations and individuals have attempted to put these lessons into practice, and their experiences can provide guidance . If negative messaging is accompanied by hard evidence, not only will it be effective, but your audience may have been desiring it all along. Try to note that even if you aren't thinking about it, your audience is actively stacking you against your rivals. There's pressing incentive for you to show, not just why you're good but also why you're better than the others. Before shouting from the rooftops, though, make sure the target of your attack isn't someone fresh off the blocks, otherwise you'll be seen as an insecure bully. It is worth remembering that negative communication does not always have to be about the self-evident details; it can encompass the environmental factors that are undeniably playing kingmaker during decision-making. While engaged in all of this, do not forget that the world is watching. Being brutal but insensitive might get you the basic outcome, but the loss of goodwill would make this a Pyrrhic victory.

Given the multitude of factors bearing upon negative communication, it's no surprise there's no universal formula. The specific challenges of each case are what make negative messaging so unique.

Methodology

This project chooses to identify as interdisciplinary, believing that the strength of its contribution comes from the peculiar mixture of scientific research and real life anecdotes visible throughout its length.

Informal interviews were conducted with numerous people over the course of the summer of 2015, but these were primarily for brainstorming and seeking advice. The findings in the report were compiled from publicly available literature, be it journalistic or academic. Wherever it was felt that the reader should have basic knowledge of the study being described or the case being discussed, an account is provided in a box within the text.

Care has been taken to ensure that no information or objective claim made in the report is unsubstantiated, for the author has only written what has already been calculated. The inferences and reasoning, however, remain the author's and he is responsible for any shortcomings in them.

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Laya Maheshwari is an Indian journalist and commentator. He has reported on the ground from various places, such as Istanbul during the civil protests of 2015 and Jerusalem during the height of the Israel-Palestine conflict of 2014. His by-line has appeared in publications such as *The Los Angeles Times*, *The Guardian, Vice News*, and *The New York Times* (forthcoming). In 2015, he won the Wings of Excellence essay competition at the St. Gallen Symposium in Switzerland, beating out nearly 1000 entries with his argument proposing a rethink to development aid, and was named a Leader of Tomorrow for the same. In 2016, he founded and is chairperson of the Yenching Global Symposium in Beijing, China.

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