

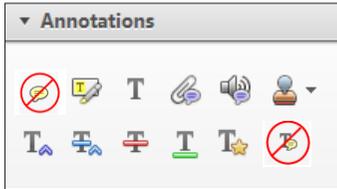
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The Impact of Reframing on Decision Making: An Exercise in Community Development

Management Teaching Review

1–10

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Abstract

Whether one views a community in poverty as needy, a community that can only be fixed through outside help, or a community with assets that can be used to better itself depends on one's perception or framing of the problem. In this community development exercise, students are presented with accurate but differently framed descriptions of one community. When the issues are framed pessimistically, students find the problems unsolvable; when the community is painted optimistically, with well-defined assets, students have a base on which to build solutions. The community is La Laguna in Nicaragua, aided by Opportunity International's Community Economic Development program in Opportunity Nicaragua. This exercise can be used in management classes, entrepreneurship classes, or a unit of a class that discusses developing economies.

Keywords

perception, framing, community economic development, developing economies, asset assessment, Opportunity International, Nicaragua

Many students think helping the poor in developing countries is a matter of fundraising in the United States and then granting money to deserving individuals and businesses. Students want to help, but they can be overwhelmed if the problems seem too large and the amount of money too small. For example, students may wish to "cure world poverty," but they recognize this is an overwhelming task. This exercise was designed to demonstrate how even an overwhelming problem can be framed

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positively, resulting in more viable potential solutions. As a result of this exercise, students learn how important their perception of a problem is to determining solutions. Learning objectives include

1. demonstrating how a frame can dramatically influence solutions to a problem and
2. discussing how to recognize frames and re-frame when necessary.

Framing the Problem

Is the glass half full or half empty? This question is a classic example of how different ways to looking at a question can influence outcome and attitude. Framing refers to how reality is perceived and communicated to others, and reframing refers to the ability to think of a situation in more than one way. In equivalency frames a situation is portrayed in different ways, with the result that context influences perception of the situation. In other words, differing wording may cause readers to change preferences (Chong & Druckman, 2007). Bolman and Deal (2013) took framing a step further by defining four ways of framing: the structural frame is the task at hand, the human resources frame is people, the political frame includes power and leadership, and the symbolic frame includes culture, the humanities, and the unconscious. Bolman and Deal also discuss how managers can increase their options and effectiveness by examining alternative approaches.

Kahneman and Tversky (1984; see also Tversky & Kahneman, 1981) noted that individuals classify decisions in terms of gains and losses. According to prospect theory, while gains are desirable and losses undesirable, losses “loom larger,” that is, individuals are more unhappy about a certain-sized loss than they would be happy about a gain of the same magnitude, and they will make decisions to avoid losses. Entman (1993) found that when a problem is framed positively, people make less risky choices, but if the same problem is framed negatively, they make riskier choices.

The influence of framing on perception can be seen in a variety of diverse studies. For example, framing online gambling as legitimate causes nongamblers to think more positively about the subject (Humphreys & Latour, 2013). Lachapelle, Montpetit, and Gauvin (2014) found that perceptions about climate change were heavily influenced by how experts framed the issue.

While this exercise is about a social, not a financial, problem, behavioral finance also offers insights. Lozza, Carrera, and Bosio (2010) looked at presenting a fiscal bonus as an income increase (gain) versus a tax rebate (less of a loss). Survey respondents responded more positively when the bonus was described as a tax reduction. In Rhee and Fiss’s (2014) study of “poison pill” charter provisions adopted by companies, a company announcement framing the change as a gain to the company was rewarded by a positive stock market reaction, while announcements by persons within the company who personally gained from the change led to a negative stock market reaction.

Community Development

In this exercise, students are given two ways of looking at the problem of how to help a poverty-stricken community in Nicaragua. Their solutions to the community's problems differ, depending on whether the community is described as having great needs or whether it is described as having great assets. The approach described below, Community Economic Development (CED), follows the principle that while there is a role for philanthropy, longer lasting and successful development goals are more likely to be achieved when the community is involved in its own development, contributing both money and labor in the process. Nonprofit Opportunity Nicaragua, a subsidiary of the Opportunity International, pioneered this concept of CED, which helps communities work their way out of poverty. Additional information about Opportunity International and Opportunity Nicaragua are provided in Appendix A.

This exercise has been used three times in a management class that is part of a summer internship program that brings students to developing countries, including Nicaragua, for 8 weeks. The course introduces students to social entrepreneurship principles and provides them with basic business skills (developing simplified business and marketing plans, profit and loss spreadsheets) that can be used with nascent businesses. It could also be used in a management course about global management and cultural differences.

The CED Approach

Opportunity Nicaragua uses a CED approach focused on engaging local communities in developing economic solutions. The CED approach frames community development positively by beginning with a community asset assessment, rather than a traditional needs assessment. A needs assessment looks at what is missing in the community and what resources are needed to address the gaps. In contrast, a community asset assessment focuses on the talents and resources within the community, for example, finding artisan talent, carpenters, cooks, farmers, and so on. Assets could include good farm land and water or a strategic location near good roads, a major city, or a tourist attraction. Asset assessments identify assets such as the following:

- Individual/family assets, including skills and knowledge, traditions, culture, education, equipment, animals, and crops
- Community association assets such as cooperatives, or formal and informal groups
- Businesses that have already been established in the area
- Natural and physical assets including land, water, nature, buildings, and infrastructure
- Methods of exchange, including barter systems, income, credit, and savings

An asset assessment has the advantage of starting a relationship based on mutual respect rather than charity. Opportunity Nicaragua's 2012 review stated,

We declare their “giftedness.” When we are able to articulate how much they have to work with, what assets are now in their control, it creates an opportunity for the poor to feel empowered and to begin the process of “ownership” in the CED process. **[AQ: 1]**

Following the asset assessment, Opportunity Nicaragua identified the most promising growth industries in the region through research, interviews with businesses and governmental leaders, and reviewing existing studies to create an economic overview. Opportunity Nicaragua then looked at where the community assets best aligned with identified economic opportunities in tourism and agriculture, the two major industries in Nicaragua.

An Exercise in Perception

The authors use the “Two Communities Exercise” (see Appendix B) to show students the differences in mindset between an asset-based versus a needs-based community assessment. This has been used as an in-class activity. However, students have both read articles about community development and heard lectures on this subject before the exercise is used. The instructor first talks about Opportunity Nicaragua and the information contained in Appendix A, although students could also be given this information prior to class to read.

The class is divided into small groups of three to five students. Half of the groups are given information about Community A, and half are given information about Community B. Both groups are told that they have a \$50,000 grant to award. The students are given about 20 minutes to discuss solutions within their small groups. Students are then asked to come back together as a class and present their solutions, a discussion that generally takes 30 to 45 minutes.

Students who receive Community A information tend to focus on community problems and are often overwhelmed by their tasks. They look at the many needs of the community—education, infrastructure, unemployment, illiteracy, unsafe living conditions, and inadequate child care and health care. Student with the Community A exercise may comment that bringing this community out of poverty will be next to impossible. Solutions tend to focus on bringing services to the community, such as funding literacy programs and general education programs, job training programs, and so on. Students view the residents as consumers of outside services. The community is seen as one that is in dire straits and that needs to be helped by outside sources in order to make progress. Students with Community A may try to develop sources of funding greater than \$50,000, since a grant of this size will not provide a solution to any of the above problems, much less all of them.

Students who receive Community B information are much more optimistic about their ability to help the community. The information given in the exercise notes the positive assets of the community, including fertile land, proximity to a popular tourist destination, available small business financing, improvements in electric service and potable water, an active faith among many residents, and the possibility of education beyond elementary school. Students tend to suggest solutions to support existing small

business, for example, a selling cooperative where residents share tasks such as bringing goods to city and tourist markets, cooperative child care, and pooling financial resources to scale up operations. Most student teams suggest ways to invest in the community through loans, assistance with information on starting tourist businesses, and expanding past successes. The discussion focuses on “possibilities” because students are presented with a list of community assets. All of these result in seeing the potential for investment and partnership with the community. In other words, students with Community B information are not looking at fixes for problems but instead take an investment approach.

At the end of the discussion, students are told that each description accurately describes the same community: La Laguna, a village close to Granada, a city that is a popular tourist destination and close to several volcanoes, which are also tourist destinations. The facts presented in both descriptions of La Laguna are accurate, but they are framed very differently. Students are universally surprised and respond with disbelief to this revelation. Students, particularly those with the Community A handout, have suggested that the descriptions were made at different times in the history of the community, with the Community B exercise describing a later time period when times were better. This is not the case. Both are accurate descriptions from the same time period (late 2000s). The discussion can end by asking students how their solutions would change if the problems had been framed differently.

The instructor can follow up with information about Opportunity Nicaragua’s work in La Laguna (see Appendix C.) Additional suggestions for instructors include the following:

- Ask students to describe their assigned community and their reactions on first reading about La Laguna. Students with Community A tend to talk about reactions of pity and dismay that people today live in such dire conditions. Students with Community B tend not to focus on the poor conditions but immediately move into how to best make use of the community’s strengths.
- Ask students how their perceptions about the task at hand changes when they learn about the alternate description of the same community. Students with Community B say that they would have found their task overwhelming—too little money and too many problems to solve—had they been given the “A” description. Students with the “A” description are occasionally indignant that they were given a misperception of the community that made their task impossible. Both agree that how the issue is described has an impact on their solutions.
- Ask students how they could recognize that their perception has been influenced by the way the descriptions were framed, and how they could reduce negative influences. To answer this, students (in small groups) can go through the community A and B descriptions line by line, listing the positive versus negative verbs and adjectives. To name just a few phrases, the Community A description contains wording including “no stable businesses,” “no access to schooling,” “high unemployment,” “unsafe houses,” “no adequate protection in

rain,” and “less than.” Community B contains phrases including “fertile land,” “organized loan group,” “established cooperative,” and “active churches.” The cumulative effect of negative phrases creates a strongly negative overall picture, while a positive picture is painted by the positive phrases in the Community B description.

- A handout explaining the differences between needs and asset assessment could be given to students following the exercise (Appendix D). Or students can be asked in class to recreate the information in the handout after having been given a blank table with only the headings.
- The instructor can ask students about why an asset-based assessment was chosen by Opportunity Nicaragua. Responses may include that it requires more buy-in from the residents than simple charity, or it could lead to better outcomes since residents are actively involved in improving the community.

The authors have found this to be a versatile exercise, one allowing students to see how framing a problem can enhance problem-solving. Is the glass half full or half empty? Solving problems with a more optimistic outlook can break the problem into small, more manageable pieces instead of trying to solve global issues of poverty, lack of education, or inadequate health care. Framing can apply to other business problems as well, as it may pay to focus on assets and opportunities rather than focusing on problems. Prospect theory notes that people want to avoid losses—focusing on assets and opportunities supports that desire. An opportunity-focused frame could allow decision makers to concentrate on the positive aspects of problems, perhaps finding the solution within the problem itself.

Appendix A

Opportunity International and Opportunity Nicaragua

Opportunity International (OI), a faith-based nonprofit with a presence in 22 countries, provides micro finance loans, access to savings, insurance, and training to over 5 million people in developing countries. OI, founded by Al Whittaker in 1971, uses a community-based micro finance model in its work with developing countries. While OI’s primary focus is economic development, the organization is also concerned with nonfinancial areas such as strengthening clients’ relationship with God. Entrepreneurs who are selected for OI’s program must first have raised and spent capital for their ventures and should have employed members of the community in their businesses. Over 90% of OI clients are female, and 80% are married. OI generally lends its funds, as opposed to outright grants to entrepreneurs, and uses the returned capital and interest to make new loans. OI also receives donations from corporate sponsors—for example, the organization received \$250,000 from Monsanto for its Tanzania operations.

Opportunity Nicaragua was established as a pilot project in 2006. Nicaragua is the second poorest country in Latin America (Haiti is the poorest). Note that Per capita income in Nicaragua is US\$1,084, or about \$90 per month (United Nations country statistics; <http://data.un.org/CountryProfile.aspx?crName=NICARAGUA>).

About three quarters of the population live below the poverty line, with the greatest poverty in rural areas, where 46% of the population live. Most of the poor, both urban and rural, are engaged in agriculture. About 80% of the businesses in Nicaragua are micro businesses, with agriculture and tourism the sectors with the most employment. The OI CED program focuses on using existing community assets with strategic target areas in agricultural development, artisans, leadership and infrastructure, and a technical high school.

Appendix B

Two Communities Exercise

Community A. Community A is a small rural community. There are no stable businesses to provide employment within this community. Young people don't have access to local schooling beyond the sixth grade. Less than 10% of the population has completed high school. Unemployment rates are so high that almost every household has someone who is unemployed. The literacy rate is low; less than 50% of the people can read and write. About 40% of the people don't own their own land. Many families live in houses that are unsafe and are without adequate protection during the rainy season. The local school does not have books or space for all the children to go to school. There are many children who stay at home alone all day while their parents are in the fields or at the market. Many young adults travel to other countries to gain employment and send money home. There is no health clinic nearby, and people must travel to the nearest city to see a doctor. Obtaining potable water is difficult, since there is no running water and the nearest water source is a considerable distance from the community. In fact, families typically spend 4 or more hours a day taking hand-carts or animal-driven carts loaded with water barrels to the nearest source in order to bring potable water into their homes.

You are working with Opportunity International and have \$50,000, a typical grant amount for the organization. You have been asked to make recommendations on what to do to help this community. What do you recommend?

Community B. Community B is made up of families that have very low incomes. Almost 100% of the population makes their living as farmers and micro entrepreneurs. It is a small community close to a large commercial and tourist city. The land is very fertile. Most people farm, have some animals, and they sell their fruit and vegetables at the local markets in nearby towns and the city. There are organized loan groups among the micro entrepreneurs that collectively receive loans to operate their businesses. Each loan group also has a group savings account. The local community has established a cooperative that has representation from throughout the community. Through the cooperative, they have successfully organized themselves and partnered with other nonprofits to bring in electrical service, and they are working to bring potable water to their community, after their nearby water source was destroyed by an earthquake. The community borders the main highway to the capital. Churches are

very active, and some young people take the bus to nearby cities to continue their education after the sixth grade.

You are working with Opportunity International and have \$50,000, a typical grant amount for the organization. You have been asked to make recommendations on what to do to help this community. What do you recommend?

Appendix C

The La Laguna Community and OI Development

The La Laguna community includes two of the poorest townships in the Department of Granada and is about a 45-minute drive from the capital city, Managua. La Laguna includes about 250 homes and 2,000 residents and had been without easily accessible water since an earthquake hit the area in 1998. The arduous process of transporting potable water from a distant source meant that adults were not able to perform other productive labor and children lost schooling time. Under OI's rules, to be given funding, the community needed to supply unskilled labor. If skilled labor was needed, for example, an engineer, this could be part of the budget supplied by OI. The community also needed to establish a legal entity to hold the project assets to ensure that some group had responsibility for maintaining the assets.

The La Laguna water project was OI's flagship success story in the area of community development. After the devastating earthquake, five community elders formed a "water committee" to tackle the task of building a new well and delivery system to the families in the village. La Laguna received grants from the National Assembly, local government, and the Japanese Embassy and hired an engineer to begin digging. Unfortunately, the engineer disappeared with the money after the job was half finished. In 2007, Opportunity Nicaragua identified a water system as an urgent community problem and agreed to be a secondary investor if the community also invested in the project. OI paid for an engineering study to determine what needed to successfully complete the project, provided loans and grants for the project, and helped form a community cooperative to administer the potable water system long-term.

The La Laguna well project has a significant impact on families' lives. A typical family used 3 cubic meters of water a month (note that average *daily* usage for a family of four in the United States is about 1.5 cubic meters of water; Environmental Protection Agency, <http://www.epa.gov/WaterSense/pubs/indoor.html>). Families paid the equivalent of \$24 to \$30 a month to purchase potable water, a significant portion of a family's income. In addition, the family, generally women and children, spent 2 to 4 hours a day hauling water. The families traveled by oxcart to a site where they could purchase water in 50-gallon barrels at a price of \$6/cubic meter (a cubic meter of water is equaled about five barrels of water). At this price, some families were unable to bathe children or wash clothes—water was for drinking or cooking only. Now, with the community aqueduct in place, an average family uses 8.5 cubic meters of water a month at a cost of \$5. Details are in Tables C1 and C2.

Table C1. Community Family Savings From Sample Projects.

Community project	Previous expenses	Current expenses	Net annual savings	No. of family units (cumulative years)	Total direct community savings
Water	\$311.23	\$62.25	\$250.71	1,108	\$277,790

Source. Opportunity International Nicaragua Community Economic Development review (2012).

Table C2. Economic Impact of the Well Project on an Average Household.

	Without local access to water	Community well and aqueduct
Cost for a cubic meter of water	C\$112.5 (US\$6), 1 cubic meter = 5½ barrels of water	C\$15 (US\$0.81)
Average monthly cost per household	C\$450 (US\$24)	C\$120 (US\$6.48)
Time invested in hauling water from other communities	4 hours a day	Zero hours invested—water accessed in the home

Note. C\$ = Nicaraguan Cordoba.

The La Laguna water project cost \$38,049. The community contributed its entire savings, \$3,049. Opportunity Nicaragua provided a loan of \$10,000 and a grant of \$25,000. The cooperative charges .81 cents per cubic meter of water and uses the revenues to pay for electricity to run the pump, pay back the OI loan, pay an administrator, and fund a maintenance fund for future repairs.

Appendix D

Community Needs Versus Assets Assessments.

	Needs assessment	Asset assessment
Framing	Lists problems/areas to be improved within the community	Lists strengths of the community
Attitude	Pessimistic: focusing on problems	Optimistic: focusing on opportunities
Orientation	Internally focused: looks at conditions in the community as a standalone entity	Externally and internally focused: looks at strengths within and outside of the community
Description	Uses more negative language and statistics to reinforce issues faced by the community	Uses more positive language, e.g., emphasizing progress already made
Big picture vs. focus	Tends to look at “big picture” global problems in relation to the community, such as poverty, lack of education, inadequate health care, etc.	Focuses on achievements community residents have made through working together (church, loan cooperative) or taking advantage of natural assets (near a tourist area)

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