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Corporate lobbying in Europe, managing knowledge and information strategies

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- *Given that knowledge and information are critical resources for acquiring access to the EU policy process, the question of this paper is how firms should manage the knowledge and information strategies surrounding their lobbying attempts. Developing an appropriate resource base is critical for firms trying to bring their interests to bear on European decision-making. The same holds for the ability to recognize potential points of entry to the EU policy process. Next to substantial knowledge and expertise, therefore, the ability to understand policy dynamics and the appropriate timing of lobbying attempts are critically important in corporate lobbying in Europe. The implication of this argument is that managing knowledge and information strategies become increasingly important for handlings firms' public affairs.*

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Introduction

Corporate lobbying for many firms is an essential aspect of their competitive strategies. Attempts by firms to influence public decision-making, however, greatly vary across institutional settings (Hillman and Keim, 1995). In this paper, we reflect on lobbying strategies in an European context. We depart from the assumption that the better the fit between the demand and supply side of the lobbying resources, the more chance the transaction is successful and the likelier that firms may influence public decision-making (Van Schendelen, 2003).

Of central importance, therefore, is the logic of access, either of private firms or of organized business interests (Greenwood, 1997; Beyers, 2004).

This paper builds on the argument that access to the European Union's decision-making process is largely determined by intangible resources, notably knowledge, information and expertise (Bouwen, 2002). Therefore, effective lobbying in Brussels often requires firms to invest in the establishment of recurrent interactions with public decision-makers. These kinds of interactions induce the emergence of trust between private and public actors and facilitate the exchange of reliable knowledge and information among them. From the perspective of the European institutions this is important to legitimate EU decision-making. Given that knowledge and information are critical resources for acquiring access to the

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EU policy process, therefore, the question is how firms should manage the knowledge and information strategies surrounding their lobbying attempts. This question is of interest in this paper.

In the next section we discuss existing analytical models for analyzing corporate political strategy decisions. In the third section of the paper the main characteristics of the EU policy process are discussed. After that, in the fourth section, the paper argues more specifically how firms' knowledge and information strategies need to be adapted to the complexity of EU decision-making processes. Based on the observation that knowledge and information are the main lobbying resources in the EU, our conclusions refer to how firms may manage knowledge and information flows when managing their public affairs and trying to realize influence on European decision-making.

Corporate political strategies

Corporate political action literature has identified a variety of factors that structure the political behaviour of firms and condition its contribution to firm performance. The nature of market strategies (Baron, 1995), organizational characteristics of firms (Hillman and Keim, 1995; Schuler and Rehbein, 1997),

structural features of markets and industries (Aldrich and Fiol, 1994; Grier *et al.*, 1994; Mahon and McGowan, 1998) and the institutional make-up of political systems (Lord, 2003) all have been shown to influence corporate political action. Depending on these characteristics, firms choose among different tactics and strategies to effectively influence political decision-making and further their market strategies.

An often cited model for classifying and analyzing corporate political strategy decisions is that of Hillman and Hitt (1999). These authors suggest that corporate political strategizing entails three decisions made by senior decision-makers within the firm. First, whether to relate to government on a long-term relational basis or in only in one-off interaction, that is in a transactional mode. Second, whether to act individually or collectively, that is by adopting a going-it-alone strategy or by acting within a larger interest group such as a business association or trade federation. Third, what type of strategy to use when interacting with public authorities and government agencies. Regarding this last choice for particular tactics and strategies, Hillman and Hitt distinguish an information, financial incentive and constituency-building strategy (**Figure 1**).

Figure 1. Corporate political strategizing (adapted from Hillman and Hitt, 1999).

A first strategy is that of providing information and expertise to public decision-makers. This may concern information about policy positions of leading firms as well as market information, for instance, about pending investment or relocation decisions that can have a major economic impact. Firms' information strategies may also include the provision of expert knowledge of possible solutions to publicly visible issues such as environmental problems (Taminiau, 2006). This sort of information can greatly influence the cost-benefit analysis of particular policy choices as they are being prepared and implemented at different phases of the policy cycle. Information, knowledge, and expertise, therefore, are a critical resource for firms when trying to influence public decision-making (Dahan, 2005).

Second, next to providing information, corporate actors may try and influence public decision-making by providing financial support to political institutions, for example by supporting candidates running for public office. This is particularly effective in open and pluralistic political system such as that in the United States. However, in European countries, given the often highly organized nature of business—government interactions, financial incentive strategies are less common.

A third strategy for firms to influence public decision-making is through grass roots approaches, creating support for particular policy solutions and organizing pressure on political institutions and government agencies in favour of those solutions (Lord, 2003). These bottom-up efforts to influence public decision-making can be very effective, particularly for smaller firms (Cook and Barry, 1995). Also, they are becoming increasingly important in an European context. The emergence of new information and communication technologies increasingly enable grassroots initiatives. Information is more readily accessible and more easily communicated to the EU institutions (Roper, 2002; Bouwen, 2004).

Most firms, however, particularly larger ones (Coen and Dannreuther, 2002), will simultaneously pursue different strategies at the same time. A firm may use a combination of political

strategies in an attempt to shape its environment through public policy influence. These attempts generally will be more effective when they are well integrated and mutually adjusted (Schuler *et al.*, 2002; Baron, 1995). This is especially the case for diversified firms that simultaneously operate in different environments. Particularly in these firms combinations of generic approaches to corporate political strategy will emerge in the practice of corporate lobbying and the handling of public affairs. This complicated the management of public affairs but it also allows firms to adjust their corporate political strategies to different institutional environments—in this case to the complicated nature of EU decision-making.

The European Commission encourages private interest groups to adopt a relational or long-term approach (Coen, 1997). This does not mean that transactional approaches cannot, or indeed are not, used but these approaches generally are less rewarding in terms of realized influence. The same holds for financial incentive strategies that can be particularly effective in, for instance, an US-context but which are not used much in Brussels. Rather, the European Commission rewards those firms who do pursue a long-term relationship by enabling them to realized privileged or preferential access to its decision-making process. This, however, makes lobbying efforts particularly difficult.

Complexity of the EU policy process

The main characteristics of the European policy-making arena can be categorized in terms of structure, process, resources, and culture (**Figure 2**). First, the main structural characteristic of EU decision-making is its multi-level nature. The EU policy process constantly reiterates between national and supranational levels of decision-making. This forces private actors to be active, often at the same time, at different levels and in different arenas of public decision-making. At these different levels, firms are confronted with a wide variety of stakeholders and interested parties. Second, the process of EU decision-making is characterized

Figure 2. Main characteristics of EU decision-making.

by the fact that lobbyists have to stay along the issue all the long the policy cycle. Third, resources, notably knowledge and expertise, typically provide access to the different European institutions. Accordingly, the culture of EU decision-making is characterized by informality and mutuality. These four characteristics condition the way in which private actors may bring their interests to bear on public decision-making and realize influence on policy outcomes.

European policy-making takes place within a highly complicated and policy network (Schneider *et al.*, 1994). Decision-making in the European Union requires the establishment of trans-national alliances. It is also characterized by established and recurrent forms of private-public interactions. Given the multi-level nature of EU decision-making cooperation among firms and between them and other organizations in order to realize influence does not only occur in Brussels. Firms may adopt a national route in order to realize influence instead of going directly to the EU institutions (Bennett, 1997). National governments in many ways are behaving as private interest groups themselves and in many industries coalitions between the representatives of firms and those of government agencies are common. The formal institutional structure at the EU level thus is coupled with the policy-network at the national level (Wessels, 1997).

This is a complex and layered process that encompasses different levels of political decision-making. Local, regional, national, intergovernmental and supranational and European forces operate simultaneously.

Firms trying to steer through this complexity are faced with a number of possibilities when trying to realize influence on policy outcomes. They can, for instance, work through collective interest organizations that represent particular industries, either at national or European level (Greenwood, 1997; Knill, 2001). Another possibility is to try and realize individual access to European decision-makers. Generally, however, only large firms will be able to choose this approach (Coen and Dannreuther, 2002). Small- and medium-sized firms, in contrast, are faced with resource constraint that often prohibits them to follow this route (Cook and Barry, 1993; Wilts and Meyer, 2005). A third possibility is that firms hire private lobbyists to carry out the lobbying work. These different possibilities can be followed simultaneously, as some large firms do, and they are compatible. In all cases, however, the most important resource for acquiring access to the EU decision-making process is providing knowledge, information and expertise (Bouwen, 2002).

One of the reasons the Commission asks the industry for direct information inputs is that it suffers from a structural lack of human resources and lack of expert knowledge (Peterson, 1991; Hritier *et al.*, 1996; Wessels, 1997). EU decisions are taken at a large distance from day-to-day economic affairs in the Member States. This problem increases with the expansion of the European Union. The EU institutions, therefore, have a persistent problem legitimating their regulatory and legislative efforts. The Commission legitimates much of its functioning through the wide-spread use of expertise of interests groups in the policy making process, thus binding private actors in its decision-making.

The inclusion of private actors in public decision-making, however, varies. Private interests such as large firms or NGOs can be part of differently structured policy networks (Pedler,

2002a). These networks range from close-knit policy communities with characteristics such as stable membership, high insular and strong structural dependencies to more open and transitory issue networks, characterized by fluid membership, high permeability and weak structural dependencies (Peterson, 1991: 273; March and Rhodes, 1992). The first type of network resembles an epistemic community, 'a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge' (Haas 1992, in Zito, 2001, pp. 585). Recurrent interactions between its members, embedded in ongoing relations of mutual influence and dependency are central to this type of network. The second type of network represents an issue network, an ad hoc coalitions or alliance that 'exist(s) for the specific purpose of working on a single issue and dissolve when that issue reaches some resolution or when the coalition partners no longer feel the effort is worthwhile' (Berry, 1986 in Pijnenburg, 1998: 305). These type of networks may be especially effective in getting an issue on the political agenda.

Apart from efforts to get an issue on the policy agenda, actors involved in the policy-making process must pay attention to the mode and manner of the articulation of an issue (Peterson, 1995). Since the definition of a problem and the phase of the agenda setting have far-reaching consequences, it is important to get involved in the policy cycle as soon as possible. It is during the early phases that different actors can try and influence not only the topic, but also the prioritization of particular issues and problems. This holds, in particular, for European policy which is increasingly made in by co-decisions procedures between the different EU institutions such as the Council, the Commission and the European Parliament. Policy proposals go back and forth between these institutions. Getting involved in an early stage of the policy cycle is especially important. For example, in the final directive, after the European Council and the European Parliament have made their contribution, the drafters of the original Commission's

proposal will find that most of their ideas still remain (Héritier *et al.*, 1996; Peterson, 1995).

With the rectification of the Treaty of the Maastricht (effective 1993) and the Treaty of the Amsterdam (effective 1999) a shift in the balance of power occurred which resulted in an increase of influence of the Member States and an increase in influence of the European Parliament. This led to more co-decisions procedures (Pedler, 2002b). In the course of its decision-making, the Council sets in motion the mechanisms for consultation with the member governments. Firms trying to influence EU decision-making, therefore, are increasingly faced with the strategic problem of locating entry points in a multidimensional policy decision-making process. Given the structure and organization of this process locating appropriate entry points may be particularly difficult, especially in the early stages of decision-making which matter most (Bellier, 1997). From the mid-1990s onwards, increasingly more actors wanted to co-define the policy issue in concurrence with the European Commission. This means that more and more actors are competing for access and are trying to get involved at the beginning of the policy cycle. This puts great emphasis on the way private actors manage their public affairs strategies.

Tactical and strategic choices

Direct and collective lobbying can turn out to be mutually reinforcing for large firms operating in the EU arena. Another strategy for firms that aim at long-term benefits through participation in policy networks is not to restrict their participation to contributions to forums in which the firms can benefit directly but also to invest through their participation in commissions which are only indirectly related to their speciality or industry (Coen, 1997). To be simultaneously connected in different forums may benefit the actors in the longer term.

Being able to develop more differentiated political strategies can also help firms to recognize important policy changes at a relatively early stage. A policy cycle can be

disturbed by external events and discontinuities that shape the policy networks (Wilks and Wright, 1987). Such events can be electoral results or a breach of trust between the actors in the policy networks or, for instance, unilateral or coercive government action. Firms attempting to lobby the EU institutions must integrate this into their strategic outlook. They must recognize discontinuities in an early stage in order to identify and assess potentially useful entry points. Acquiring access through information thus places greater emphasis on the information processing capabilities of firms. Next to information, therefore, expertise and learning capabilities become important for firms interacting with the EU institutions and trying to realize influence on public decision-making.

The real resource that counts in Europe is the provision to public decision-makers of credible information and knowledge (Bouwen, 2002). This is true for individual firms as well as for their representatives such as EU trade federations (Beyers, 2004). Policy-making in Europe has often been described in terms of comitology: policy is made in the large number of commissions where experts meet (Dehousse, 2003). Extensive information networks, for instance, have emerged between multinational corporations and the representatives of different European decision-making bodies. The representatives of industry and business generally are very well informed about what goes on in the different European institutions. These actors typically have extensive networks to exchange information and scrutinize the work of the Commission and the Council (Wessels, 1997).

Negotiations within European policy networks contain elements of both conflict and mutual dependence. Members of the policy networks expect mutuality in their exchanges of advantages and benefits between the members of the networks (Wilks and Wright, 1987). These exchanges consist mainly of exchanges of expert knowledge and inside information from within the core of the network. The expectation of mutuality encourages members of the community to take a long-term strategic

view. This means that actions must be mutually adjusted and that short-term benefits often have to be foregone in order to maintain recurrent interactions.

Informal relations among the members are also a precondition for achieving trust and informality. This is a necessity for the well-functioning of a policy network and without it a deliberate and free exchange of ideas and discussions of future policy options cannot take place. Although often highly formalized, that is, EU decision-making to a large extent depends on informal communications (Wallace, 1997). This has implications for private lobbying efforts and for the formation of corporate political strategies. The informal character of the decentralized policy networks enhances the dynamic interactions between the actors within the network.

This suggests that several strategies can be — and often are — deployed simultaneously. To act collectively as well as individually does not have to be incompatible. The same point can be made concerning the fact that a firm can send different experts in different forums of expertise. Forums in which the firm has a direct interest can be distinguished from forums in which the firms have an indirect interest. Forums can have a close, insular, highly technical nature and are characterized by a long time span or they can be more open in character such as issue networks or ad hoc coalitions. Participation of different types of forums can reinforce the position of the firm in the European arena.

Firms that try to influence EU policy-making, therefore, need to develop a resource base in which knowledge development and relational skills are particularly important (Dahan, 2005). Also, firms need to develop the ability to recognize potential points of entry when trying to bring their interests to bear on European decision-making (Saurugger, 2001). Next to substantial knowledge and expertise, therefore, the ability to recognize useful entry points and the appropriate timing of lobbying attempts are critically important when firms try to realize influence on EU decision-making. This means that handling public affairs through

Figure 3. Pressures on firms' lobbying strategies in an EU context.

EU lobbying puts particular pressure on corporate strategies (**Figure 3**). Firms need to be able to recognize what their political interests are (Martin, 2002). They also need to combine this with market considerations and must learn to adjust their lobbying efforts to a very complicated policy process.

This requires strategic intent and vision as well as actively monitoring the lobbying activities of rivals. For instance, a firm can opt for participation in an expert forum that may relate most closely to its core business. An empirical example are oil companies that can provide expertise on cleaner fuels in an expert group but which can also provide expertise in, say, an expert group on fiscal measures (Taminiau, 2001). Information from different forums can be combined.

Conclusion

The effectiveness of corporate lobbying in Europe critically depends on the quality of firms' knowledge and information strategies. Financial incentive strategies are not applicable in an EU context. Forms of constituency

building can be effective given the consistent search of the EU institutions to legitimate their decision-making through citizen and stakeholder dialogue. New ICT technologies greatly facilitate this. At the same time, in direct interaction with the committees and decision-making bodies of the European Union, providing reliable information to public officials remains the single most important way to achieve influence. For politically active firms this means that being able to provide information, both to other interested parties as well as to the EU institutions, becomes strategically important. Handling public affairs through lobbying, therefore, first of all requires firms to manage their knowledge and information strategies in an effective way.

By implication, this increases the strategic importance of firms' information processing capabilities, while at the same time increasing the likelihood of firm-internal conflicts of interests. Increasing the effectiveness of lobbying attempts hence can be realized by monitoring information processing within the firm. The effectiveness of lobbying attempts increasingly depends on the firm's ability to manage

information flows and to exchange knowledge internally within its own organization and externally with other interested parties. That is, the importance of knowledge flows between interested parties in many ways increases relative to knowledge flows towards the EU institutions. Corporate lobbying in Europe, therefore, greatly depends on firms' knowledge and information management capabilities.

Biographical notes

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