

# Direct and intermediated lobbying in the European Union

---



**CBS**

COPENHAGEN  
BUSINESS SCHOOL

HANDELSHØJSKOLEN

**Master Thesis**

**MSc in International Business & Politics**

*Copenhagen Business School*

**Authors:**

Andreas Grimstrup Ragn – 8749

Troels Steen Tvergaard – 46619

**Contract no.:** 12477

**Date of submission:** 15.01.2019

**Supervisor:** Leonard Seabrooke

**STU count:** 258,483 – 114 standard pages.

**Page count:** 100

## **Abstract**

Lobbying is an integral part of the European Union's decision-making procedures, but little is understood within academia with regards to the decision between lobbying directly or through interest groups. To develop an in-depth understanding of this strategic challenge, this thesis performs a comprehensive analysis of a firm's decision-making. In doing so, this thesis seeks to uncover the underlying causal relationships that influences the choice of lobbying mode. This thesis builds on a deductive research approach, employing different research methods and approaches such as process tracing and intensive case study. Through a substantial review of academic literature on lobbying within several major research disciplines, developing nine distinct theoretical lenses through which firm's lobbying activities can be perceived. We then distil the lenses into six specific causes for why a firm might choose to engage in either lobbying mode, before moving to empirically test the robustness of the theoretical causes through a EU lobbying intensive case study. Finally, we aggregate the theoretical and empirical findings in a causal model of lobbying behavior. We find that issue specificity, issue importance, differences in political capabilities, institutional demand, institutional isomorphic pressures, and agency problems determine firm's choice of lobbying mode. The findings contribute to a gap in the literature on lobbying in the interplay of firms and interest groups.

Keywords: Direct lobbying, Interest groups, European Union, Business actors, lobbying.

# Table of Contents

<b>Abstract</b> .....	1
<b>1. Introduction</b> .....	4
<b>2. Methodology</b> .....	6
2.1 Analytical reasoning .....	7
2.2 The case study method.....	7
2.3 Data collection.....	9
2.4 Background of interview subjects.....	10
2.5 Process tracing.....	11
2.6 Process tracing in practice .....	12
<b>3. Concepts and delimitations</b> .....	14
3.1 What is Lobbying? .....	14
3.2 Spectrum of lobby modes .....	14
3.3 EU Institutional focus.....	15
3.4 Scale of political contexts .....	16
3.5 US and EU lobbying.....	17
<b>4. Arla</b> .....	19
4.1 National and European interest groups .....	20
4.2 Cooperative governance.....	21
4.3 Political activity .....	22
4.4 Sequence of lobbying events .....	24
<b>5. Theoretical lenses</b> .....	27
<b>Micro-level lenses</b> .....	29
5.1 Lense of Resource-based view of the firm.....	29
5.2 Lense of Strategic Management.....	31
5.3 Lense of Resource Dependency Theory .....	33
<b>Meso-level lenses</b> .....	34
5.4 Lense of Transaction Cost Theory .....	34
5.5 Lense of Institutional theory .....	36
5.6 Lense of Interest Group Studies.....	37
<b>Macro-level lenses</b> .....	40
5.7 Lense of Access and Information Literature.....	40
5.8 Lense of Economic Theories on Lobbying.....	42
5.9 Lense of International Political Economy.....	43
5.10 Concluding remarks .....	44

<b>6. Causal examination</b> .....	45
6.1 Issue specificity .....	47
6.2 Issue importance .....	49
6.3 Differences in Political Capabilities .....	51
6.4 Institutional demand .....	54
6.5 Institutional isomorphic pressures .....	55
6.6 Agency problems .....	57
6.7 Concluding remarks .....	58
<b>7. Empirical investigation</b> .....	59
7.1. Intermediated lobbying as Arla’s standard mode.....	59
7.1.1 Characteristics of Arla’s lobbying.....	62
7.2 Empirical investigation.....	64
7.2.1 Issue specificity .....	65
7.2.2 Issue importance .....	67
7.2.3 Differences in political capabilities.....	71
7.2.4 Institutional demand.....	75
7.2.5 Institutional isomorphic pressures .....	77
7.2.6 Agency problems.....	80
7.3 Summarizing causal relationships .....	82
<b>8. Developing a causal model of lobbying behavior</b> .....	84
<b>9. Discussion</b> .....	90
9.1 Research limitations .....	90
9.2 Limitations of the case study method .....	92
9.3 Generalizability .....	92
9.4 Scale of political contexts .....	94
9.5 Avenues for future studies .....	96
9.6 Managerial implications .....	97
<b>10. Conclusion</b> .....	98
<b>11. Bibliography</b> .....	101
<b>Appendix A: Interview guide</b> .....	111

## 1. Introduction

Lobbyists spent a record €1.7 billion influencing the European Union's institutions in 2016 (Cooper, Hervey, Bauvir & Antypas, 2017). Nearly 12,000 organizations are registered in the European Union's voluntary Transparency Register. Hereof 2,139 are businesses and 2,415 trade and business associations (European Commission, n.d.). Businesses that lobby directly are typically members of trade and business associations as well. Evidently, some firms undertake lobby activities both directly and by proxy through trade and business associations. Such direct and intermediated lobbying activities can be executed in pure isolation to each other, but also mutually reinforcing in cooperative modes of lobbying. A spectrum of lobbying modes thus emerges, begging the questions; why do some firms engage in both intermediated and direct lobbying, and what are the conditions for choosing one mode over the other?

Despite there being a long tradition for studying the political activities of firms and interest groups across several disciplines, there are only few answers to this puzzle within the academic literature. The majority of studies focus on only one set of lobbying actors, such as interest groups (Dür & Matei, 2012; Eising, 2007; Klüver, 2012a) or individual firms (Baron, 1995; Lux, Crook & Woehr, 2011; Oliver & Holzinger, 2008). In studies as these, researchers tend to emphasize within-groups analysis, for instance by investigating the different types of interest groups (Dür, Bernhagen & Marshall, 2015) or different types of businesses (Ozer & Alakent, 2013). Only a few studies have however attempted to analyze the phenomena of lobbying across groups, and yet fewer have investigate specifically why firms engage in lobbying through different modes. Even then, these studies represent widely different research disciplines and often differ considerable in the use of concepts, assumptions, and analytical levels (Hillman, 2002), and they are mostly focused on presenting arguments for why a firm would choose a particular mode rather than explaining exactly how this choice takes place. These arguments include the fact that interest groups have access to unique resources (Jacomet, 2005) and are appropriate when firms face resource limitations (Schaffer, 1995), the interests of an industry are aligned (Kaufman, Englander & Marcus, 1993; Jia, 2018), firms face similar environmental dependencies (Hillman, Withers & Collings, 2009), policy benefits are collective in nature (Getz, 1997, pp. 38-40), or if an industry is concentrated and differentiated (Bombardini & Trebbi, 2009). There is however little agreement on whether one factor is more relevant than others, and even fewer attempts at bridging the different explanations for the choice of lobbying mode from a firm's perspective.

The purpose of this thesis is to perform a comprehensive analysis of a firm's decision-making in order to develop an in-depth understanding of the choice between a direct and an intermediated lobbying mode. Whereas previous research have primarily been focused on identifying potential determinants of

the choice, we will instead seek to uncover the underlying causal relationships that influences the choice of lobbying mode. The thesis will thus serve to bridge a gap in the extant literature on lobbying and develop a comprehensive causal model of lobbying behavior. In order to do this, we will rely on the following research question:

*How do firms select their mode of lobbying within the European Union?*

This thesis will answer this research question after a series of consequential steps. First, we will outline our methodology in section 2. Here we describe our critical realist philosophy of science, analytical reasoning, and the methods applied in the thesis. In section 3 we will introduce a series of concepts as well as the context for lobbying in the European Union. In section 4 we will introduce the case of Arla Foods and their lobbying activities. In section 5 we will review the extant literature on lobbying in order to develop nine distinct theoretical lenses through which we can view firms' lobbying activities. Section 6 builds directly on the previous; we here distillate the nine theoretical lenses into six proposed core causes and develop a series of theoretical propositions about how they function in practice. In section 7 we will revisit the case of Arla and analyze the empirical material in order to test the robustness of our theoretical propositions and generate new theoretical insights. Section 8 will build on all of the above. We will here develop a general causal model of a firm's choice of lobbying mode using the causes identified in section 6 and the empirical insights generated in section 7. We will discuss our findings, research limitations, and avenues for further research in section 9 and conclude the thesis in section 10.

## 2. Methodology

In order to explain the firm's choice of lobbying mode, we will rely on a critical realist philosophy of science as described by Sayer (2000). A principal feature of critical realism is its notions of the intransitive dimension, i.e. the real material world, and the transitive dimension, the knowledge we possess about the world. The intransitive and transitive dimensions correspond to ontology and epistemology respectively. These dimensions cannot be conflated; changes in the transitive dimension cannot necessarily be said to change the intransitive dimensions. Moreover, critical realism subscribes to the notion of a deep and stratified ontology. Reality is comprised of complex overlapping layers. These layers form part of an interacting whole, yet they have distinctive properties; deeper, underlying layers produce causal effects at higher levels. Critical realists denote these layers or strata as the real, the actual, and the empirical. The empirical refers to what is observable and the actual to what happens in the occurrence of an event. The real refers to reality itself; that which exists beyond our knowledge and the adequacy thereof. Thus, the real is the 'realm of objects', i.e. objective structures with a capacity to behave in particular ways, and which are susceptible to certain kinds of change under the influence of causal powers (Id., p. 3). Building on this, reality is an open system meaning that identical causal powers can lead to different outcomes depending on the contexts in which they are activated. Similarly, different causal powers can lead to similar outcomes. This lies in stark contrast to a closed system, where both the causal powers and contexts are kept fixed in order to produce causal inferences.

Critical realism holds a dualistic view on structure and agency, contending that structure precedes human agency in so far as it generates the material causes of human action. In other words, humans are positioned within social structures that constrain and enable actions, yet humans still exercise causal agency, thereby producing and reproducing social structures. What emerges is the duality of subjective reality, predisposed by material contingencies.

With regards to causal analysis, a central tenet of critical realism is the rejection of the model of regular successions, where causal inferences are based on the analysis of regularities. In critical realism, explanation rests on identifying present or absent causal mechanisms and explaining how they work if activated and under which conditions they occurred (Sayer, 2000). Causal mechanisms are uncovered by investigating objects and structures carrying a particular causal power. It is important to note here that structures and mechanisms are not always observable. We can however infer based on observations that would only be present granted the existence of a particular mechanism. It can however be perilous to do so due to the risk of attributing a particular mechanism effects that are in fact triggered by another. Such is one of the great pitfalls in the social sciences, where several conjectural mechanisms can be at play.

Having clarified our position on philosophy of science, this paper will now turn to our research methodology.

## **2.1 Analytical reasoning**

This thesis will be structured around a logic of deduction. By deduction we refer to the process by which we as researchers gradually move from general claims - or theories - about a particular phenomenon towards explanations of particular, empirical events (Moses & Knutsen, 2014, p. 22). In this thesis, the deductive structure will be present in four phases. Initially in our thesis, we will cover substantive research streams that might provide insights on firms' lobbying behavior and synthesize these into theoretical lenses relevant for our research agenda. We will then develop specific theoretical propositions about the choice of lobbying mode grounded in these theoretical lenses. This leads into the empirical level, where we apply our propositions to the case in order to test the soundness of our arguments and see how they function in an empirical setting. Finally, we will return to a more abstract level by revising our initial theoretical propositions and assembling these in a causal model of lobbying behavior. We will refer to these four phases throughout.

It is however important to note that the way we generate inferences in this thesis is not strictly deductive. In analysing our empirical material, we instead rely on abductive analysis. By this we refer to the approach of connecting empirical observations to existing theoretical ideas in order to generate novel conceptual insights (Langley, Smallman, Tsoukas & Van de Ven, 2013, p. 11). This approach presupposes extensive familiarity with existing theories throughout every research step (Timmermanns & Tavory, 2012, p. 173), which we as researchers have developed through the formation of our theoretical lenses. The purpose of this abductive analysis is to generate new theoretical ideas from a close examination of a particular case (Thomas, 2010, p. 511) in an iterative interplay between existing theories and data (Timmermanns & Tavory, 2012, p. 179). As we generate inferences in this thesis, the purpose is thus not to positively verify or reject each individual cause, but rather to propose causal explanations of lobbying behavior and present an aggregated explanation in a causal model.

## **2.2 The case study method**

The empirical investigation presented in this thesis will be an intensive case study of a firm's lobbying behavior. As noted above, the purpose of the empirical investigation is to test the soundness of the theoretical propositions based on the lobbying literature. The case study presented in this thesis then, is our way of investigating the causal mechanisms through how they function in a real world setting. The case study is an intensive analysis of a case bound by time and activity, which the researcher can develop



an in-depth understanding of through detailed information and a variety of data collection procedures (Creswell, 2014, p. 14). There is thus no singular way of approaching the case study. Our approach to the study is however based on an intensive research strategy as proposed by Sayer (2000). What this means is that we wish to utilize the case in order to produce strong causal explanations of its functioning.

The main benefit of the case study is that a detailed investigation allows us to better understand the contexts and situations in which the phenomenon under investigation operates. This naturally comes at some cost of generalizability, as it is highly unlikely that a contextually dependent phenomenon would be replicable in other cases (Ibid.) Nevertheless, the case study can be a robust way of testing theoretical propositions or generating new hypotheses when combined with other methods (Thomas, 2010). Moses and Knutsen (2012, p. 136-140) refer to these approaches as the theory-confirming and the heuristic case study, which incorporates elements of deduction and induction, respectively. In this thesis we will apply elements of both approaches, thus approximating a more abductive approach. While the overall structure of the thesis is deductive in the sense that we take a starting point in general theory, we apply this theory iteratively in combination with our empirical material. The case study is thus used as a way to revise and generate new theoretical explanations in order to develop a more robust model of lobbying behavior.

A central part of the case study is naturally the selection of the case under study. We therefore need to delimitate what the case specifically is, and what the chosen case specifically represents, i.e. the population. Gerring (2012, p. 411) distinguishes between three strategies for case selection. First, case selection might be *purposive* in the sense that it is selected based on desirable features. Second, it might be *random*, being drawn randomly from a population of cases. A third strategy is *stratified random sampling*, in which potential cases are divided purposefully in strata and then drawn randomly from each strata. In this thesis, we have sampled our case firm purposively from the population of firms engaging in political activity in the European Union. Notably, we have selected a case based on the following features: a) it needs to engage in a diverse range of lobbying activities in the EU, b) it needs to engage in some combination of direct, intermediated, and cooperative lobbying modes, c) it needs to have primary activity in European markets, and d) we need to have sufficient access to the empirical material. Whereas point a) and b) relate to the potential population of cases, we have included point c) in order to limit a potential bias from a firm with only national interests. Based on these features, we have chosen to investigate the case of Arla. A further point which makes Arla particularly interesting is the fact the firm has a long history of lobbying in both national and European settings.

As Gerring (2012, p. 411) points out, the purpose of an intensive, single case study as the one developed in this thesis is to understand a larger class of similar units. It is however always important to keep in

mind that no case is exactly similar to the population from which it is drawn. The issue of generalizability is thus always a present issue with case study research. We refer to section 9.3 (Discussion of generalizability) of an in-depth discussion of the generalizability of the case of Arla vis a vis other potential cases in the population. Since our purpose is to study the case intensively, we will now spend some time describing the collection of data.

## **2.3 Data collection**

We draw on three types of data throughout this thesis. First of all, we have conducted a substantial review of academic literature on lobbying within several major research disciplines. The purpose of this review is to aid us in the development of our theoretical propositions about the choice of lobbying mode. In order to find these articles, we adopted an explorative search protocol focused on identifying all major streams of relevant research.

We took a starting point in the literature covered in the International Business and Politics program before a broader search was conducted, which could give rise to a potential bias. Mallett, Hagen-Zanker, Slater, and Duvendack (2012) argue that this risks proliferating persistent theoretical bias in the literature and in the entire review. This was a necessary decision given the many, fragmented strands of literature relevant to lobbying. An expert review of the literature would have been valuable to reduce such bias, and would in addition mitigate any retrieval bias, stemming from the possibility that an incomplete search of the literature were conducted (Durach, Kembro & Wieland, 2017).

There is no unified research discipline of lobbying and therefore no unified terminology (Hillman, 2002). Thus, we had to apply a somewhat unstructured search strategy by searching for terms relevant to our research area in broad, cross-disciplinary databases. We specifically searched using the citation database Scopus and EBSCO's cross-database function, where we searched within the databases Academic Search Elite, Business Source Complete, EconLit, ERIC, and SocINDEX. We selected the following search terms for our review: 'Lobbying', 'Lobbyism', 'Political Activity', 'Lobby', 'Political Action', 'Political Strategy', 'Businesses and Politics', and 'Firms and Politics'. Since this search was quite broad, we have had to limit the included articles based on their relevance for the particular subject of firm lobbying. This search protocol resulted in a total of 101 articles drawn from various disciplines. The review of these articles can be found in section 4.

The second and third type of data is specifically tied to our case study of Arla. The second type concerns public written documents and database information. This includes both Arla's and the Danish Dairy Board's annual reports and financial statements. We have further collected written documentation from

the websites of Arla and interest groups relevant to this study. Further information about these entities were retrieved from the company database Orbis, the Danish state's register of businesses CVR, and the European Union Transparency Register. These documents are primarily applied as complementary information about the case of Arla. The third major source of case-specific information is a series of semi-structured interviews, which we have conducted in the period from ultimo September till mid-November.

We conducted a total of six semi-structured interviews with the participation of seven individuals. Of these, four are employed by Arla Foods, and the rest are key actors within Danish interest groups acting on Arla's behalf. Interviews were semi-structured around 4-5 common themes, which all of our interviewees were questioned about. These themes were sent by email beforehand along with a brief description of our research area such that interview subjects could reflect on their organizational roles in relation to our specific research focus. The interview guides were roughly equal for all interviews, but the specific questions were adjusted to reflect the seniority and function of the interview subject. An example of the interview guide can be seen in Appendix A.

The method of semi-structured interviews were employed, as it is an advantageous technique when individuals are only interviewed once, as in the case of this project. This is because semi-structured interviews allow us to focus questions and topics to the research area, while also allowing for topical trajectories in the conversation that strays from the guide. Another virtue of semi-structured interviews is their open-ended nature, which allows the informant the freedom to express their views in their own terms. We conducted the interviews with the interest organizations Landbrug & Fødevarer (L&F) and the Danish Dairy Board (DDB) first. These interviews were conducted in a more explorative manner than later interviews so as to probe and uncover topics for further investigation in the interviews with Arla employees. The guides for these interviews were further adjusted to reflect the external perspective of interviewees. These external perspectives enable us to cross-reference themes and topics discussed with the internal perspective from Arla, thereby allowing us to triangulate findings and potentially uncover discrepancies.

## **2.4 Background of interview subjects**

Three out of four interviewees are grounded in Arla's Danish headquarter, which coordinates both European and international public affairs and regulatory affairs activities. While these individuals work from Denmark, their roles and responsibilities revolve around Arla's international operations. Our evaluation is that there is a clear demarcation between Danish and international operations, which found

credence in the fact that all interviewees stressed a clear segregation between Arla Denmark and its international business. While there are significant lobbying activity in all of Arla's four core markets, the focus of our research is on EU-level lobbying. As such, perspectives on national lobbying is only gathered to the extent that these national initiatives might at some point feed into the organization's international activities. We have sought to encompass these perspectives partly in our interviews with Arla's headquarter, and partly through the interview with the head of communication for the German market. As with the external perspectives of interest organizations, the national perspectives are utilized insofar as to highlight differences and relationships with EU-level activities.

We conducted five of the six interviews in Danish and the last in English due to the nationality of our interviewees and ourselves. Due to the language requirement of this thesis and to ease the readability, we have therefore had to translate the findings quoted directly in this thesis. This naturally produces the potential for some bias in our translations. We have therefore checked our quotations and translations with each interviewee in order to verify the accuracy of our translations as well as to confirm the content of each quote. We have stated the language of each of the interviews in the overview below. The people interviewed are as follows:

- George Morrison - Head of Public Affairs, Arla Foods, English
- Jane Østergaard Norsk - Director of Trade Policy and Food Regulatory Affairs, Arla Foods, Danish
- Kasper Thormod Nielsen - Head of Communication, Arla Foods Germany & Board member of European Dairy Association, Danish
- Dinna Aamand Hansen - Global Public Affairs Manager, Arla Foods, Danish
- Flemming Nør Pedersen - Executive Director, Landbrug & Fødevarer (Danish Agriculture and Food Council), Danish
- Esben Tranholm Nielsen - Chief Policy Advisor, Landbrug & Fødevarer (Danish Agriculture and Food Council), Danish
- Kirsten Holm Svendsen - Managing Director, Mejeriforeningen (Danish Dairy Board Brussels), Danish.

## **2.5 Process tracing**

In order to analyze this data, we will rely on the process tracing approach as outlined by Beach & Pedersen (2018). Process tracing is a research approach that seeks to uncover how causes are causally linked to particular outcomes through causal mechanisms. Thus, in contrast to traditional causal research, the focus

shifts from the identification of causal effects towards understanding the productive linkages between causes and outcomes, i.e. the underlying causal mechanisms. In order to uncover these mechanisms, we are concerned with its underlying parts, which can be described as entities engaging in activities. The task then, is to investigate the entire causal chain in order to understand how each part contributes from cause to outcome through so-called productive continuity. Since process tracing involves a great deal of in-depth investigation of causal chains, the method is less suitable for large N research due to the usually heavy degree of detail but fits nicely with a within-case study approach. This is because the high degree of detail allows us to make confident inferences about causal chains within the case of study. Due to the presence of unique contextual mixes, however, process tracing is less suitable as an approach at producing generalized inferences of reality.

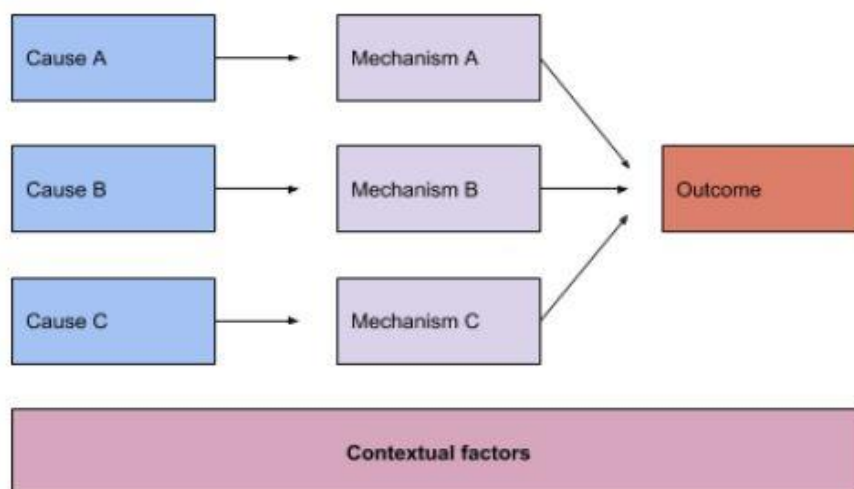
The process tracing approach utilizes a two-stage framework to generate inferences (Id., Chapter 5). The first stage operates at the theoretical level. Here, we engage in a theoretical evaluation for the purpose of theorizing which empirical fingerprints a given causal explanation would leave in a case. We then evaluate whether there are alternative theoretical explanations for finding a particular fingerprint in case. This theoretical evaluation follows as a type of informed speculation about the theorized observations we could possibly observe, assuming that particular explanations for causal mechanisms holds true. The second stage operates at the empirical level. Here, we seek to observe whether the theorized fingerprints are actually present in our case, to determine whether we can trust the validity of a particular observation, and to determine what the observation actually means for the causal mechanism. As with the theoretical stage, we ask questions regarding the certainty and uniqueness of our observations. Thus, we undertake a critical assessment of our level of access to the empirical record. To this end, we assess whether the absence of a proposed fingerprint means that a proposed causal mechanism is also absent. We also evaluate whether there are alternative explanations for finding a particular fingerprint on the empirical level, and whether we can trust our observations to mean, what we think it does. The higher the certainty and uniqueness of our empirical fingerprints, the higher our confidence in our inferences.

## **2.6 Process tracing in practice**

Throughout the thesis, we will trace the mode of lobby engagement causally. We defined this mode as the choice between direct, delegated, and cooperative engagement in lobbying activities. The first goal is then to investigate what *causes* each outcome. Secondly, we will uncover how this/ these causes are in fact causally linked to each outcome. The main subject will thus be to analyze each link and come up with likely causal and mechanistic explanations from ‘start to finish’. Guiding this analysis will be a series of possible theoretical explanations and hypotheses (synthesized into lenses), which we will relate and

evaluate in relation to the collected data. These lenses will be based on an exhaustive review of literature from multiple relevant research fields, including management sciences, organizational theory, theories of global governance, institutional theory, etc. Through the lense of these themes, we will devise a series of empirical fingerprints, i.e., propositions about which observations that would lend credence to particular theoretical explanations.

The analysis itself follows an iterative process, in which theoretical themes and propositions are continuously evaluated through comparisons with observations and data. Throughout this process and where possible, we further engage in triangulation in order to qualify our initial findings and observations. The purpose of this exercise is to funnel possible causal explanations and to discard the least plausible explanations until the most likely explanation(s) remain. This corresponds to our abductive inferential analysis described above. In our analytical approach we thus attempt to mitigate the epistemological challenge of generating accurate knowledge within a complex and stratified reality. This will allow us to make more confident inferences about the causal linkages leading to the firm's use of varying modes of lobby engagement. To make these causal inferences possible, the study will involve a multitude of different sources of observational data as highlighted above. At the end of this thesis, we will structure our causal inferences of lobbying behavior into a causal model, which builds on a causal framework as described by Beach and Pedersen (2018). A general representation of this framework can be seen in figure 2.1 below.



**Figure 2.1: Simple causal framework**

An implication of our research design is that we conceptualize the selection of lobbying mode as a complex system with multiple, concurrent components. This view is in cohesion with the interdisciplinary approach of the International Business & Politics program.

### **3. Concepts and delimitations**

In the following section, we will introduce a series of important concepts that we will apply and refer to throughout this thesis. First, we will delimitate exactly what we mean by the term lobbying, and then present our understanding of how lobbying activities can be executed through a direct or intermediated mode. In this section, we will also delimitate what we mean by the term EU institutions, as well as pointing out some of the key differences between lobbying in the EU vis a vis the US.

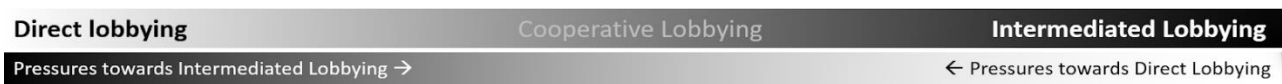
#### **3.1 What is Lobbying?**

Lobbying can broadly be divided into two classifications: core lobbying and political consultancy. Core lobbying constitutes the organized process of continuous influencing regulators and regulatory processes towards the interests of the lobbying constituent (Bouwen, 2002; Woll, 2006; Eising, 2007). Activities that fall under this category include meetings with the purpose of influencing legislation, and coalition-building through corporate, interest group, and civil society mobilization. These activities are typically proactive in nature. Political consultancy constitutes the process of solving specific, immediate, or isolated issues with regards to the implementation or enforcement of rules. In essence such issues are about solving business problems through political actors. An example of political consultancy could be attempting to influence local customs agencies to expedite export certification for goods otherwise stuck under transport. These activities are typically reactive; as they are immediate in their nature and that they are already perceived to impact the organization at the point of identification.

Although conceptually distinct, core lobbying and political consultancy are intrinsically related and can rarely be detached entirely in practice. What is initially perceived as a political consultancy issue may be a symptom of a broader regulatory issue. Conversely, what begins as a core lobby issue may eventually generate immediate problems for the business with regards to the implementation or enforcement of rules. To exemplify this, a continuous hold up of products in foreign customs may transition into a broader issue of non-compliance with trade treaties, thus subject to dispute resolution or treaty revision among relevant trade authorities. In addition, lobbying activities are both iterative and concurrent in the sense that issues will tend to go through the lobbying process several times until resolved and that different activities related to the same issue will be executed concurrently. For instance, a firm might attempt to broker temporary solutions or exemptions to business issues pending results of more formal core lobbying activities. This dynamic relationship will be expanded further in the section 4.4 on the sequence of lobbying events.

#### **3.2 Spectrum of lobby modes**

As alluded to previously, a helpful way to understand the lobbying modes described in this project is to perceive the modes of direct, cooperate, and intermediated as a spectrum; direct lobbying in its purest form stands in contradiction to the purest mode of intermediated lobbying. By pure we mean the least intervention with the opposing lobbying mode. Thus, pure direct lobbying will be the activities a firm undertakes where no intermediary lobbying organizations are involved. Correspondingly, pure intermediate lobbying activities will be those performed by an interest group entirely without firm participation. In our case study the two pure lobbying modes described above are conceptual distinctions; in practice, lobbying activities will rarely be conducted entirely without input or coordination between the firm and the interest group; a mix of direct and intermediated lobbying strategies are often mutually reinforcing (Coen, 2007, p. 157). We define this mix of lobbying activities as cooperated lobbying. Pressures for direct lobbying will in scenarios of pure intermediated lobbying lead to increasingly cooperative lobbying activities. In this process, the firm will seek to reduce uncertainties and/ or build internal competences by increasing the coordination between the firm and interest group. Although these activities are only internal and not external lobbying activities, we still include them in the spectrum of lobbying activities because they describe the process in which intermediated activities may be gradually transferred to be conducted directly instead. The utility of this definition is threefold in that it 1) helps us overcome unhelpful binary simplifications, 2) emphasizes the incremental changes that changes in the lobby mode may take, and 3) allow for multiple causes with ambiguous pressures towards a certain mode of lobbying in our causal chains and model.



**Figure 3.1: Spectrum of lobbying modes**

The incremental changes depict pressures towards a contradicting lobbying mode without necessarily changing the current mode of lobbying drastically. This spectrum of lobby activities and its characteristics of incremental changes in pressures for lobby activities also lends useful when applied to the concurrent processes of valuation and revision as described in section 4.4. In scenarios with suboptimal outcomes, the process of valuation and revision could hypothetically lead to increased pressures towards a more contradicting mode in the spectrum of lobbying modes.

### 3.3 EU Institutional focus

This thesis seeks to casually determine why a firm will lobby directly, intermediated or in corporation within a EU regulatory setting. These lobbying activities can be dispersed across multiple EU institutions



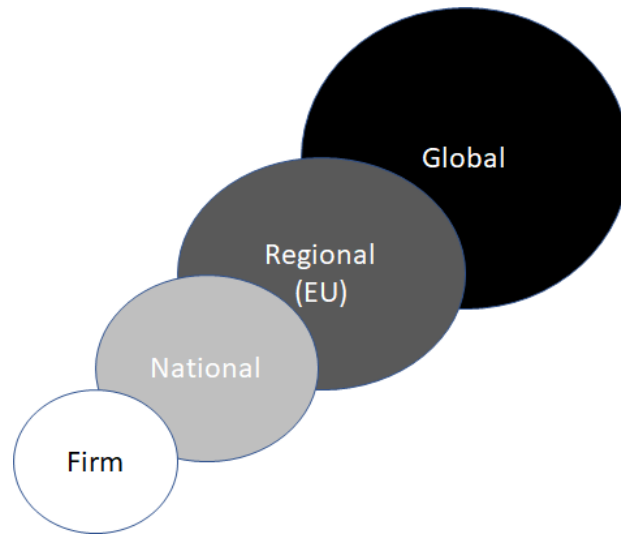
in the form of lobbying the Commission, the European Parliament or the Council. This thesis will most frequently refer to the Commission as the *primus inter pares* EU institution. This is because the Commission is the most influential agenda setting in the EU, and 'early lobbying' in the policy formation phase is therefore a crucial access points for businesses to influence policy-outcomes (Coen, 2007, p. 33-34).

This is not to say that lobbying activities directed towards the European Parliament and the Council does not occur. These activities are encapsulated in this thesis by what will subsequently be defined as multilevel strategy in the access and information literature. However, an important feature of this literature is that where large firms have preferential access, there is a demand for firm-specific expertise. Given that this thesis employ a firm perspective, the Commission will naturally be most important.

We will refer to institutions frequently throughout this thesis and it is therefore appropriate to offer a definition of its usages. When referring to institutional demands or EU institutions, we refer broadly to the decision-making bodies of the European Union such as the European Parliament and the European Commission. Whereas when referring to institutional pressures through institutional theory, we point to the norms and expectations that shape and channel behavior, for instance the norm that interest groups generally command more legitimacy than firms.

### **3.4 Scale of political contexts**

All multinational firms are embedded in national, regional, and global political environments. A firm's external environment is an important determinant in shaping its lobbying activities. This is apparent through the multitude of institutional settings and political systems a multinational firm will be exposed to. The scope of this research question is defined to a European Union level i.e. regional. A helpful notion when defining the scale of operations is that a firm can expect to have less relative influence for each uptick in level. This decrease of influence partly stems from an overall increase of active players e.g. institutions and other firms that can debilitate the political influence of the firm, and the firms' decreased knowledge and embeddedness into the global markets, as compared to its national or core market(s) (Zaheer, 1995).



**Figure 3.2 Scale of political contexts**

Much of the literature on lobbying is situated in a regional setting and particularly in the US federal level. Given that this thesis focuses on a different political system and institutions, different institutional pressures and demands are to be expected. The following section will compare and expand on the US centric literature on lobbying and qualify how it is less relevant for the regional EU context of this paper. We will in the discussion of this thesis reflect on the generalizability and utilization of the developed causal model and on the case in a global setting.

### **3.5 US and EU lobbying**

There are no unified theory of lobbying (Hillman, 2002). Rather, the literature on lobbying represents different branches of different disciplines, which mostly relate to each other in the subject area and differ widely in terms, assumptions, analytical level etc. The following chapter will initially offer a brief review of transatlantic differences in lobbying styles and strategies, before relating this to the relevance and inclusion of theories in this paper.

It is clear from this literature that some areas of research are more appropriate or indeed tailored to distinct institutional settings or political systems (Woll, 2012; Mahoney, 2007). At its heart, both the EU and US constitute federal systems and are therefore comparable. However, the US is a nation state and the EU a complex form of inter-state cooperation (Woll, 2012, p. 207). This has important consequences for the institutional goals of each system. The EU has its focus on ‘output legitimacy’, seeking to resolve issues for and between members in order to secure its continued survival as a political system (Ibid.). As a nation state, the US has a “fully functioning federal system that does not need to produce ‘good policies’ in order to be legitimate” (Ibid.). Thus, nearly 75 percent of the time, the US system fails to reach a

compromise, and coupled with direct elections and private campaign finance, the US system arguably creates absolute winners and losers, often favouring industry (Mahoney, p. 54). This indicates that “defensive lobbying” and predatory lobbying is a widely used and legitimate political tactics in the US (Woll, 2012, p. 203; Thomas and Hrebenar, 2009). The US system allows for bargaining, and disagreement is an acceptable outcome that will not have detriments for future access or consultations (Woll, 2012, p. 208). The institutional arrangements in the EU facilitates long-term and trust based relationships, where unconstructive inputs from lobbyists can have negative consequences for future access (Coen, 2007, p. 335; Woll, 2012, p. 209). Defensive strategies and predatory strategies seeking to kill legislation are not widely used in the EU (Thomas and Hrebenar, 2009).

The European style of lobbying is found to be ‘soft spoken’ and characterized by a low public profile and being sophisticated, whereas the Washington style is found to be brash and aggressive (Woll, 2012, p. 202). As depicted throughout Bouwen’s (2002) theory of access, the EU system rewards entities that contribute towards problem solving through the provision of expertise and information. Thus, Woll (2012, p. 208) argues that “interest groups thus have an incentive to formulate their demands in constructive terms that do not inhibit problem-solving situations, especially when they are participating in early stages of the agenda-setting process in consultations with the European Commission”. Finally, whereas campaign finance and legal tactics are legitimate part of a US lobbyist’s playbook, campaign contributions does not exist at the European level, most national political campaigns are publicly funded, and non-profit organizations even receive funding from the EU to represent views otherwise difficult to mobilize (Id., p. 199-200). These differences in political systems has ramifications for which parts of the literature is deemed relevant for this paper, given the scope of a EU lobby case study from a firm perspective. Most clearly less relevant is the rich literature on litigation, campaign finance and political contributions to PACs, where a stark divergence exists between the EU and the US.

## 4. Arla

In this section, we will introduce the case of Arla in order to provide an understanding of lobbying behavior in practice. We will thus outline the features of the firm, describe its relationship to different intermediaries, and explain how its lobbying activities are enacted in practice. We introduce the case at this early point in the thesis to give the reader a basic understanding of the case and some empirical points, which might aid in understanding our investigation of the theoretical level. It is however important to note here that the following section 5, where we outline theoretical lenses of lobbying, is informed by academic literature and not the specific case. We will return to the case in further depth in section 7, where we will relate our theoretical propositions with the empirical material.

Arla Foods a.m.b.a (Arla) is a multinational dairy cooperative owned by 11.260 farmers across seven European countries. The cooperative had an aggregated revenue of 10.3 billion euros in 2017, with the strongest contributions in milk production hailing from Sweden, Denmark, Germany, and the UK, which makes the company the world's fifth largest dairy company in terms of milk production (Arla, n.d.). While Arla has its strongest position on the European market, the company also exports and produces dairy products worldwide with a total of 16 percent of revenue hailing outside of Europe. With such regional and global activities, Arla has become the subject of various ever-changing regulatory environments. The agricultural sector has long had a historical significance within the institutional development of the European Union, with the Common Agricultural Policy constituting one of the keystones of the European Union. At the same time, legislative arrangements in areas such as trade, the Common Market, consumer health and safety, and the environment also affect how Arla conducts its business. Over time, the regulation of these policy areas have gradually been transferred from member states to European Union institutions, which have contributed to the Europeanization of national interests (Coen, 2004).

Any firm operating within a complex political environment will need to decide whether to take a passive, compliance-based approach to its environment or to become politically active. Arla has historically chosen the latter by seeking to influence and contest both emerging and existing legislative arrangements in order to secure and enforce its interests as a firm. Since these arrangements are formed on both a national and European level, Arla has decided to Europeanize its political activities. What makes Arla of particular interest for our research topic is that the company has chosen to do so in various ways. Thus, in some circumstances, Arla engages in EU-level political activity directly; that is to say by utilizing their internal resources. In others, Arla delegates political activities to intermediaries. The company thus engages in both of the lobbying modes under study in this thesis. These intermediaries include interest groups with both a national orientation and interest groups with a European orientation. While Arla also

engages in lobbying on a national level, we are here concerned foremost with EU-level lobbying, which is also enacted through some of these national interest groups. It is relevant to note here that Arla also engages in so-called outside lobbying strategies such as public publicity campaigns; these activities are however beyond the scope of this thesis, where we will focus on inside lobbying strategies; that is the attempt to influence public officials more directly.

#### **4.1 National and European interest groups**

Besides their direct political activities, Arla is a member of various national and European interest groups. On the national level, Arla is a direct member of interest groups in all of their core markets. These national organizations include Landbrug & Fødevarer (L&F), Danish Dairy Board (DDB), Dansk Industri Fødevarer (DI), Svensk Mjök, the Dutch Dairy Association (NZO), Milchindustrie-Verband (MIV), and Dairy UK, among others. On the European level, their membership structures are more complex. In some cases, Arla is a direct corporate member, for instance in the European Brands Association (AIM). In others, Arla is an indirect member through its national interest groups. This is for instance the case with Copa-Cogeca (through L&F), FoodDrinkEurope (through DI), Assifonte (through DDB), and the European Dairy Association (EDA) (through the DDB, Dairy UK, and NZO). To stress the complexity of this member structure, Arla is also an indirect member of FoodDrinkEurope through the European Dairy Association. It is thus important to have in mind that when we refer to Arla's intermediary lobbying, it could take place in any of these national and European interest groups.

These interest groups differ not only in terms of their nationality, but also in terms of the scope of issues being addressed and the number of members. Copa-Cogeca, for instance, is an umbrella organisation for the entire agricultural sector, whereas Assifonte covers only the processed cheese industry. Arla can therefore choose an intermediary according to their issue scope. The number of members also differ widely. Whereas the Danish market is highly concentrated, and Arla is by far the largest member of the Danish Dairy Board measured in turnover, there are more than a hundred members of the German Milchindustrie-Verband. This is important because interest group positions are developed through compromises, and there are more actors involved in some interest groups over others. The same can be noted of European interest groups such as Copa-Cogeca, which represents thousands of farmers indirectly through their national interest group membership.

Arla is a direct or indirect member of various national and European interest groups, which they can utilize in different contexts towards different ends. It is however important to note that Arla does not utilize each interest group equally. Thus, the Danish Dairy Board and the European Dairy Association

holds primacy in Arla's intermediated lobbying activities. We will elaborate further on this relationship in section 6.1, but for now, it is relevant to note that the majority of intermediated lobbying activities take place in the Danish Dairy Board, and that Arla uses the Danish Dairy Board as its primary vessel into the European Dairy Association. This means that even though the term intermediated lobbying is a general, catch-all concept, it represents a less general set of intermediaries in the specific case of Arla. Nevertheless, as the activities of national and European interests groups are highly linked, it is beneficial to group these activities within a single category; the empirical distinction between different intermediaries is thus relatively blurred in practice.

## **4.2 Cooperative governance**

Before we describe in further detail the direct political activities of Arla, it is relevant to note how the cooperative is governed. Governance relate to the "process by which corporations are made responsive to the rights and wishes of shareholders" (Henry, 2011, p.392). As noted earlier, Arla is owned by farmers in several different countries. These farmers do however not exercise full authority over the cooperative's activities. Instead, corporate control and decision-making authority is delegated to a board of directors and a board of representatives elected from its farmer ownership. The cooperative convene at local annual assemblies called district councils in Denmark, Sweden, the UK and Central Europe. District councils elect members to represent their interests on Arla's board of representatives. This board is responsible for the appropriation of profit for the year and electing the board of directors. Among other responsibilities, the board of directors oversees and monitors the activities of the cooperative along with its long-term strategies, major investments, and mergers and acquisitions with the purpose of ensuring that Arla is managed in the best interest of the owners (Arla, 2017, p. 55).

This separation of corporate control is important because it allows the firm's managers to make decisions without consulting all owners first. Managers are however held accountable to the owners, and this means that their decisions must ultimately be in the interests of the farmers. As these owners stem from various different countries it is similarly important to encompass all of these interests into Arla's EU-level policy positions. A cooperative governance form differ from other forms of governance with regards to how the benefits of the firm's activities are distributed. It is unique with regards to user-ownership, user-control, and user-benefit in that: 1) Those who own the cooperative are those, who use it, 2) those who control the cooperative use it and 3) the sole purpose of the cooperative is to provide and distribute benefits to its users based on their use (Bijman, Hanisch & Sangen, 2014, p. 644). What this means for Arla's lobbying activities is that their political activities needs not only to promote beneficial policies for the company, but also for the farmers who own and uses the company. In a cooperative, owners thus

have a clear stake in political activities that directly affects them, and this has internal ramifications as political positions and lobbying strategies must be in accord with the directives of the ownership.

### **4.3 Political activity**

To understand how Arla engages in lobbying, it is relevant to also understand the context that have shaped current practices. The concentration of lobby capabilities into Arla's Public Affairs (PA) team is a recent initiative completed in August 2018. Before that, lobbying capabilities and responsibilities were distributed widely throughout the organization, where parts of some organizational roles were stakeholder management and public affairs. Thus, this is the first time that Arla has had a dedicated, standalone PA function. The PA concentration was a reaction to both changes within the organization and within Arla's external environment of (G. Morrison, Personal Communication, Oct. 9th 2018). Such changes are important to understand how the organization engages in lobbying, both directly and in cooperation with interest organizations. In the following, we will first consider how the firm's internal lobbying contexts have changed in recent years and afterwards turn to the external contexts.

#### **Internal changes**

Internal changes refer to how developments within the organizational domain has also changed contexts for internal lobbying decisions. A good place to start is with the corporate structure of Arla. As a cooperative, Arla is owned exclusively by farmers. While this structure has remained relatively stable over time, the circle of ownership has expanded from a Danish and Swedish-owned cooperative to being owned by farmers in seven different countries. In 2007, Arla was owned by 8,500 farmers divided roughly equally in Denmark and Sweden (Arla, 2007, p. 2); In 2017, ownership had increased to 11,200 with Sweden, Denmark, Germany, and the UK as having roughly a fifth of the total owners each, and a smaller minority of owners in Belgium, Luxembourg, and the Netherlands (Arla, 2017, p.12). This expansion has created a greater divergence of views on political issues within Arla's ownership, which has produced a greater demand for coordination of PA functions and a more structured approach to lobbying in order to resolve tension and get all owners on board. At the same time, Arla has become one of the largest dairy producers in the world and one of the key players on the European dairy market. According to our interviewees this, along with the firm's positioning as a more active political actor and a front runner of sustainable dairy production, has also raised the firm's visibility within European politics. While this visibility carries the potential for greater political influence, it also exposes the firm to critique of its practices; A fact that has also decreased the firm's willingness to take on political risks locally (J.Ø. Norsk, Personal Communication, Oct. 9th 2018).

The expansion of ownership and entrance in new markets has also subjected Arla to a more complex political and legislative environment. While some EU-legislation is implemented directly in all member states, states still have significant leeway to implement EU-directives according to national contexts. The pressure towards local responsiveness has thus also increased, not only in relation to compliance but also in terms of lobbying and political management. While we focus on EU-lobbying, a similar pressure has been applied to Arla's international activities outside of the EU. The business of Arla has also changed in recent years. Whereas Arla initially focused on milk and processed dairy products, the firm has introduced a series of more complex or intermediary products such as milk powder or whey protein. The dairy cooperative is also increasingly moving towards being a more consumer focused company of brands (G. Morrison, Personal Communication, Oct. 9th 2018). This mean that many of Arla's interests are shifting away from the traditional dairy supply chain, where the firm has traditionally had a strong know-how and lobby capability. The firm is thus moving into new territory both product and market wise, but also in terms of regulatory subject matter.

### **External changes**

Organizational pressures have not only hailed from Arla's expansion of activities and ownership but also from changes in its external environment. While Arla has stepped into new territories with new markets and products, the historical core markets of Arla has also moved into a more complex direction in terms of regulation. Thus, the heads of both public affairs and regulatory affairs at Arla note that the amount and diversity of legislation coming out of Brussels is a key driver for Arla's lobbying activities. This complexity puts further pressure on Arla to be able to generate policy-relevant expertise on both its production and how its practices lives up to regulation. Naturally, this pressure also applies to other actors such as interest organizations. EU institutions themselves also have a huge demand for policy-relevant information due to understaffing, under-resourcing and time pressures (Chalmers, 2013). This demand in combination with Arla's ability to generate policy-relevant expertise is perceived to have served to increase the openness of and access to EU institutions (G. Morrison, Personal Communication, Oct. 9th 2018). The proliferation of communications technologies and closer interconnectedness between regulators and other stakeholders have also applied pressure towards greater coordination and uniformness of lobbying priorities (D.A. Hansen, Personal Communication, Oct. 26th 2018). This is because communication creates better transparency in Arla's engagements with stakeholders, and it would reflect badly on the company's reputation to be seen as internally conflictual, which again would likely reduce the likelihood of gaining access to decision-makers (Coen, 2007, p. 158).



## 4.4 Sequence of lobbying events

In the following paragraphs, we will briefly describe the general process that we seek to trace in our study. The section describes a series of sequential events relating to how the lobbying process is structured internally at Arla. The events described include those coming immediately before and after the choice of lobbying modes in order to give an overview of how the sequence can feed back into itself throughout. At this time, we will not get into potential causal relations between each event, but will instead describe the sequence from a practical and empirical point of view. The sequence presented here is inspired by similar four or five-step frameworks from the strategic management literature (Henry, 2011) and developed according to how we view the internal lobbying process of Arla. We thus distinguish between five events or phases: Issue Identification, Issue prioritization, Strategy Formulation, Lobbying Engagement, and Evaluation. Although we describe each event as relatively distinct and the sequence as linear, it is however important to have in mind that the process can be more iterative and concurrent in practice. Describing them linearly does however ease the understanding of the process.

### **Event 1. Issue identification**

The first event concerns how a firm first identifies issues that could potentially demand a lobbying response for the organization. We can distinguish between four different ways, in which the Arla identifies issues, based on whether issues are identified internally or externally, and on whether the identification of the issue is reactive or proactive. By reactive we mean that the issue is already at the point of identification perceived to impact the organization, whereas by proactive we mean that the issue is perceived to have a future potential to impact the organization. The first type of issues are identified internally by local subsidiaries encountering problems with how implementation or regulation impacts the business. A typical example could be that exports are being impounded or withheld by the local regulator in the importing country. The second type of issues are identified internally through monitoring of emerging policy proposals. This monitoring is undertaken both by national subsidiaries and support functions in the headquarter. The key actors in relation to EU-matters are the Public Affairs (PA) team and the Global Trade Policy and Regulatory Affairs (GTPRA) team, both situated in the headquarter. A typical example would be if one team learned that the European Commission were currently working on a proposal for new legislation.

Externally issue identification is undertaken by interest groups such as the DDB. In the case of reactive identification, Arla learns of current problems encountered by other members of interest groups through knowledge sharing. In the case of proactive identification, it is an interest group undertaking the monitoring of emerging policy proposals, which then directly alerts Arla. It is important to note that the

same issue might be identified both in relation to interest groups and internal business functions. For instance, one interviewee noted that Arla would occasionally attempt to ‘listen on the pipes’ in EU-based interest organizations in order to find out whether a problem is encountered generally or only by Arla. Similarly, a national subsidiary will alert other subsidiaries in order to determine, whether a problem is encountered generally or only by that entity. If the problem encountered concerns EU-regulation, the headquarter will also be notified.

### **Event 2: Issue prioritization**

Once the firm’s managers have identified an issue, the next event is to prioritize issues according to impact and relevance. At Arla, prioritization is undertaken by both national subsidiaries and the headquarter. In this thesis, we are mostly concerned with headquarter prioritization, since issues only related to national subsidiaries will mostly concern national and not EU-level regulation. While national issues are mostly addressed by the local country or regional manager, issues with EU-level regulation are reported to and coordinated by the PA team, which supports the entire organization in its lobbying activities. The PA team further advises on whether Arla should take action on particular issues or let them play out. Issues with larger impacts or longer timeframes are further referred to a steering group made up of representatives from the core functions of Arla: marketing, supply chain, regulatory, CSR, farmer relations, and corporate communications. The steering group meets every quarter and make decisions about political and policy priorities and resourcing. They thus prioritize major issues according to importance to the organization’s ‘must-win battles’. Priorities are set in order to ensure that efforts and goals are aligned with business objectives as well as the general interests and directions of the cooperative ownership. Naturally, high level issues are further scrutinized and authorized by the ownership representatives.

### **Event 3: Strategy formulation**

Following issue prioritization, the firm formulates a strategy for how the issue should be resolved. At Arla, this decision takes place at different levels; for smaller, national issues, country or regional managers are responsible. For major or EU-level issues, the steering group will allocate resources and determine a suitable strategy in order to resolve the issue. The steering group also serves as a coordinating function between the different business functions at Arla, and thus decide how departments and teams best work together towards a resolution. The group also sets a direction for the mode of lobbying activities, i.e. determine whether the issue should be driven entirely by Arla or through intermediaries. The PA team takes these directions and advises on more specific strategies on how to approach the issue. Specifically, the PA team evaluates whether Arla or an intermediary should approach the issue, the risks and

opportunities of going alone, which stakeholders to influence, and what resources and capabilities are required to achieve a particular objective. It is also important to note that the strategic directions is closely tied to the particular issue being approached. Thus, the strategy is determined by the individual facts and contexts of the case and only very loosely tied to an overall, general strategy for lobbying. Strategies are further coordinated and discussed with relevant interest organizations.

#### **Event 4: Lobbying engagement**

Following the formulation of a strategy for a particular issue comes the implementation and actual activities associated with lobbying. In our study, we focus on meetings with the European Commission, which is also emphasized by our interviewees as the most important lobby activity for the organization. Arla engages in all three of our hypothesized modes of lobby engagements; that is direct, intermediated, and cooperative lobbying. Most engagements take the form of cooperative lobbying, wherein both Arla and an interest organization participates in a meeting. In a majority of these cases, Arla would work with the DDB, whereas Arla only rarely join the EDA in formal meetings with regulators. In other cases, interest organizations represent Arla without their presence, and in other cases still, Arla will take meetings directly without the presence of interest organizations if deemed necessary by the organization. In all three cases, Arla will at a minimum inform relevant interest organizations of the meeting. In cooperative or intermediated cases, activities are strongly coordinated between Arla and the interest organization. Here, organizations will also have some leeway in how to implement strategies, but will be guided by the mandate from Arla and other member organizations.

#### **Event 5: Evaluation and revision**

At the conclusion of a lobbying activity, the firm's managers will evaluate the effort and strategy to determine whether it has had the desired effect. In the case of Arla, the public affairs team has the primary responsibility for evaluation. Based on this evaluation, the team then determines what the next steps should be. Depending on the results, issues are either transferred back to Event 1, in case the problem is resolved and that future developments are being monitored, or back to Event 3, in which Arla will revisit its lobby strategy, adjust as needed, and continue with lobby engagements. In this way, long-lasting issues will feed back into the system continuously until deemed resolved. An important note here is that the same issue thereby can be approached through several different modes of engagement. A single meeting is not always sufficient to achieve the desired results, particularly when it comes to issues with new or emerging regulation.

## 5. Theoretical lenses

In this section, we will introduce a series of theoretical perspectives. The purpose of this is to generate substantive theoretical lenses through which we can view firms' political activities. This section thus constitutes the first phase of our research program, and will lead into a more specific examination of potential causal dynamics in section 6. The theoretical lenses presented here will thus form the basic building blocks from which we will develop a causal model of a firm's choice of lobbying mode. Each of the theoretical lenses presented in this section is based on one or more contemporary approaches to the subject of lobbying or the broader topic of private political action and categorized according to research disciplines, methods, and units of analysis. In order to form these lenses, we conducted an substantive review of 101 academic papers in depth within the disciplines of Political Science, International Political Economy, Organizational Theory, Strategic Management, Economics, and European Studies. Our search protocol is described in section 2.3. In the following review, we have only referenced the most salient arguments of each lense; for a full list of literature, we refer to the bibliography at the conclusion of this thesis.

We divided these articles according to their analytical focus, and more specifically whether they dealt with the macro-level (political systems), meso-level (Relationship between organizations), or the micro-level (individual firms). Finally, we considered whether the reviewed literature emphasized structural, material, or behavioral explanations of political activity in order to distinguish them further. Although we separate the literature along these distinctions, we argue neither that each lense represents an entirely uniform entity, nor that the lenses presented are always mutually exclusive. The economic theories grouped in one lense, for instance, are in some ways mutually exclusive, while the firm-oriented research presented as the strategic, resource-based, and institutional lenses are often linked intrinsically in the literature. That is to say, we acknowledge (and in some instances expect) some causal dynamics outlined in the lenses to work concurrently and in interplay with each other. In our description of each lense, we have attempted to cover the main theories on a relatively general level and then be more specific as to how each theory and lense explains or informs firms' lobbying activities. An overview of the nine theoretical lenses can be found in the table below.

**Table 4.1: Overview of nine theoretical lenses**

Level	Lense	Synthesis and assumptions
Micro-level	The Resource-based View of the Firm	<ul style="list-style-type: none"> <li>• Organizations consist of unique bundles of resources</li> <li>• Lobbying requires political resources</li> <li>• Each organization has access to unique political resources</li> </ul>
	Strategic Management	<ul style="list-style-type: none"> <li>• Lobbying is the product of managerial decision-making</li> <li>• Lobbying serves to achieve an organization's economic goals</li> <li>• Political capabilities allow an organization to engage in political activity</li> </ul>
	Resource Dependency Theory	<ul style="list-style-type: none"> <li>• Organizations are dependent on externally controlled resources for their functioning</li> <li>• Organizations lobby to reduce demands, dependencies, and the cost of compliance</li> </ul>
Meso-level	Transaction Cost Theory	<ul style="list-style-type: none"> <li>• Uncertainty, bounded rationalities and opportunism gives rise to agency problems</li> <li>• Agency problems decreases the economic efficiency of delegating political activities</li> </ul>
	Institutional Theory	<ul style="list-style-type: none"> <li>• Environmental expectations and norms shape lobbying behavior</li> <li>• Conforming to institutional isomorphic pressures gives legitimacy</li> <li>• Organizational practices become increasingly similar due to institutional isomorphic pressures</li> </ul>
	Interest Group studies	<ul style="list-style-type: none"> <li>• Firms mobilize resources collectively when their interests are aligned</li> <li>• Interest group types, constituencies, political embeddedness, and issue contexts shape the ability to align interests</li> </ul>
Macro-level	Access and Information Literature	<ul style="list-style-type: none"> <li>• EU lobbying is shaped by a supply and demand for informational access goods</li> <li>• Public actors give access to suppliers of information</li> <li>• Different types of private actors are better at supplying particular access goods</li> </ul>
	Economic Theories on Lobbying	<ul style="list-style-type: none"> <li>• The public policy process is a market-like process</li> <li>• Equilibrium in the supply and demand of policy determine policy outcomes</li> </ul>
	International Political Economy	<ul style="list-style-type: none"> <li>• The structural position of some large firms is privileged in the capitalist system</li> <li>• These large firms will influence politics automatically due to structural power</li> </ul>

## Micro-level lenses

### 5.1 Lense of Resource-based view of the firm

The resource-based view of the firm conceptualizes the firm as a bundle of heterogeneous resources that allow the firm to engage in different activities (Hillman, 2003, p. 459). A resource can be defined as “any means of development controlled by a firm (Dahan, 2005). Naturally, resources can be extremely diverse, including tangible resources such as financial capital, employees, and IT infrastructure, and intangible resources such as knowledge and reputation. In addition, these means are not necessarily owned; the firm simply needs to have control or privileged access to it (Ibid.). The main argument of the resource-based view is that firms make specific political activity choices based on differential resources (Hillman & Hitt, 1999). It follows that the way we study firms and organizations analytically is through their respective resource endowments and the way in which resources are structured internally. Therefore, the firm is the primary unit of analysis in this lense. Since each firm will generally possess different resource endowments, the structuring of such resources will usually be differentiated, even among firms engaging in similar activities. It is important to note here that we utilize the resource-based view of the firm slightly different than within the strategic management literature, where it is currently one of the dominant paradigms (Oliver & Holzinger, 2008, p. 500). Thus, while the strategic management literature applies the resource-based view to explain the strategic utilization of resources, we are here more engaged with resource typologies and functions as structural determinants of lobbying. This structural argument means that we generally discount the varying behavior of individual firms and instead hold that political behavior is determined by the structuring of firm, interest groups, and industry resources (Schaffer, 1995, p. 501).

Resources are essential for a firm’s ability to engage in activities in both its market and political environment. Researchers however generally agree that the types of resources necessary for political activities differ from those needed for market activities (Dahan, 2005, p. 13). Dahan distinguishes between four of such political resources, which allow firms to gain access to the policy process: Legitimizing resources, financial resources, relational resources, and recreational capabilities. Legitimizing resources are those resources valued by public decision-makers, such as policy-relevant information, support of political positions from stakeholders, or the ability to fulfill public policy goals. Financial resources allow the firm to ‘buy’ political access through e.g. campaign contributions, but are also more broadly necessary to hire lobbying staff etc. Relational resources include formal relationships with public decision-makers such as membership of public committees, or informal relationships such as personal

contacts. Lastly, recreational capabilities refer to the ability to exploit a combination of political resources in order to provide various recreational services to public officials or politicians such as social events.

In the resource-based view of the firm, what matters is however not only which resources the firm is endowed with, but also how they are structured mutually and in relation to the rest of the organization. For instance, a political resource such as policy-relevant information can simply be reframed information gained from the firm's market activities. In one study, Jia and Mayer (2016) found that a firm's market orientation is strongly related to its ability to take political action. More specifically, they found that firms with strong technical capabilities within R&D are better able to develop and provide technical information to decision-makers, whereas consumer-oriented firms with strong marketing capabilities are better able to target and mobilize stakeholders and constituencies. What matters for lobbying then, is how well the firm can obtain synergies between its political and market-based resources. In Europe, where lobbying is a prevalent approach to influence, firms need to possess internal knowledge architectures capable of transforming market information into policy-relevant information at the same time as they need to be able to understand policy dynamics and the appropriate timing of lobbying attempts (Taminiau & Wilts, 2006).

Although the resource-based view of the firm is predominantly applied to firms, it can also shed light on interest groups, which - although serving different organizational purposes - have been shown to depend on material resources for their functioning (Beyers, 2004). Interest groups have also been shown to generate unique resources beyond simply the resources pooled by members. Jacomet (2005) points towards democratic legitimacy, private interest government arrangements, unity among members, and trade-offs between different political goals of the collective as different types of political resources unique to interest groups. This finding goes much in line with Bouwen's (2002) argument that interest groups excel at generating information relating to entire economic sectors. At the same time however, interest groups have been shown to be less capable of generating policy relevant expert knowledge due to a lack of resources and their focus on a wider range of issues (Ibid.). Correspondingly, individual firms excel at generating expert knowledge due to their proximity to and interaction with markets.

The implication of this difference in interest group and firm capabilities to generate political resources can also be extended to explain why some firms delegate political activities to interest groups, whereas others engage in political activities individually. Hillman & Hitt (1999) propose that the availability of requisite political resources is an important determinant for whether or not to engage in collective action. They argue that firms with slack resources or experience with influencing public policy are more prone to individual action. In contrast, firms with fewer resources are theorized to be more likely to engage in

collective action, since it is less resource-intensive (Hillman & Hitt, 1999; Bouwen, 2002). Parmigiani (2007) presents a general argument for internalization from a resource-based perspective, which arguably can be transferred to the more specific case of political activity. She suggests that firms delegate activities to external partners when the partner's expertise in the particular activity exceeds that of the firm itself (Id., p. 292). She however also proposes that firms will both delegate and internalize, if the firm and the external partner possesses a similar degree of expertise in order to both take advantage of its internal resources and learn from the partner (Ibid.). Jacomet (2005, p. 81) argues that this is due to the fact that interest groups presents a useful source of information about the political environment, which firms can tap into.

### **Synthesis**

The resource-based view of the firm conceptualizes the firm as consisting of unique bundles of resources, which allow it to engage in different activities such as lobbying. To do so, firms or other organizations must then not only possess the necessary resources, but also structure them in a beneficial way. The literature highlights that the ability to generate policy-relevant information in particular is a strong indicator of a firm's ability to lobby, but also that this ability is strongly tied to the firm's other activities and resources. The literature also shows that the resource-based view of the firm can easily be transcribed to present insights on the functioning of interest groups.

## **5.2 Lense of Strategic Management**

The theoretical lense of 'Strategic Management' refer to the view that lobbying activity is the product of the strategic decision-making of a firm. In contrast to other lenses such as institutional or resource dependence theory, in which lobbying is shaped and prompted by the external environment of the firm, the strategic management lense holds that the firm is the main actor and unit of analysis. This implies that although the external environment generates pressures towards particular structures or actions, it is ultimately up to the firm how to deal with these pressures and how to structure their internal organization (Schaffer, 1995, p. 503). The strategic aspect of this lense refer to the view that the firm undertakes specific actions in order to achieve particular goals and objectives usually related to the performance of the firm (Henry, 2011, p. 3-7). In this sense, lobbying is then the result of a conscious decision by the managers of a firm to attempt to shape the external environment of the firm to its benefit (Lawton & Rajwani, 2010; Getz, 1997).

One of the most referred frameworks applied to understand firm lobbying is Baron's integrated strategy (1995; 2010). Baron divides the external environment of the firm into two: The market environment and



the non-market environment. The market environment encompasses all those interactions between the firm and other parties that are intermediated by markets or private agreements, whereas the non-market environment encompasses all those interactions intermediated by the public, stakeholders, governments, the media, and public institutions (Baron, 1995, p. 47). The non-market environment thus consists of the social, political, and legal arrangements that structure the firm's interactions outside of, and in conjunction with, markets (Id., p. 48). The importance of the non-market environment then is that the firm can shape its market environment through executing its non-market strategy in order to increase its overall performance. It is worth noting that Baron's concept of non-market strategy stretches far beyond direct political activities such as lobbying, which is simply perceived as a particular activity directed towards the political arena of the environment. Nonetheless, the concept is useful as a way to understand why firms choose to engage in lobbying.

While Baron mainly focused on how the non-market environment shapes the market environment, a more recent work by Funk and Hirschman (2017) suggests that market activities can also lead to formal or interpretive policy changes in the non-market environment, when market activities take place in areas with incomplete laws or engage in novel activities outside of existing regulation. Most applications of his concept have however focused on the internal, political capabilities of the firm. One of the seminal works within the strategic management lense is Oliver and Holzinger's (2008) study of how different political capabilities are associated with the effectiveness of different firm-level political management strategies. They specifically propose that firms will engage in defensive political strategies as a way to protect their current strategic assets and competencies and thereby maintain their market positions (Id., p. 509-511). While Oliver and Holzinger based their framework on the resource-based view of the firm and institutional theory (which we will cover later as separate theoretical lenses), the main takeaway here is how firms take advantage of different opportunities through strategic action.

While most attention has gone into the studying the political capabilities of firms, a couple of studies have looked at more broad topics such as managerial control and governance. Ozer and Alakent (2013), for instance, investigated the influence of different ownership structures on how firms make political strategy choices, and found that both institutional ownership and insider ownership are negatively associated with the propensity to engage in long-term relational political strategies in the US. They argue that relational political strategies such as establishing government relations offices could be more prone to agency problems due a divergence between the preferences of particular types of owners and managers' propensity to pursue in conflicting political agendas. This issue could be relevant for agricultural cooperatives in the EU as well, since multiple studies have found these to shift more and more decision-

making power from members to managers (Bijman, Hanisch & Sangen, 2014). Another relevant topic is the use of collective political approaches such as the use of trade associations. While there have been relatively few studies of collective action from a managerial perspective, some studies have argued that collective strategies are appropriate when an industry is unified by external threats, competing industrial sectors, or when a firm's expertise or resources are limited due to small size (Schaffer, 1995, p. 503).

### **Synthesis**

In the strategic management lense, lobbying is seen as the product of managerial decision-making; thus it is a specific political strategy that firms may pursue in order to achieve particular political goals. The lense argues for a strong, firm-centric view of lobbying and emphasizes the importance of possessing appropriate internal political capabilities in order to implement political strategies and successfully shape the firm's competitive environment. Furthermore, the lense suggests that political activity is undertaken specifically to increase the economic performance of the firm.

### **5.3 Lense of Resource Dependency Theory**

Resource dependency theory is a micro-level theory, which holds that all organizations find themselves dependent, in varying degrees, on some elements in their external environments (Kotter, 1979, p. 87). Since organizations are not internally self-sufficient, they have to interact with other organizations or groups who control the resources they need (Bouwen, 2002). These resources can take various forms; In a lobbying context, however, the most notable resources are those controlled by public institutions such as subsidies, environmental regulation, enforcement of intellectual property rights, and market barriers. Since organizations are dependent on external resources, and the provisioning of these are often associated with uncertainty, resource-dependency theory argues that the dependency directly shapes how an organization behaves in any given environment. From the organization's perspective, the dependency is undesirable due to its limiting effect on the range of managerial choices (Getz, 1997) and since it subjects the organization to pressures from those entities controlling the needed resources (Bouwen, 2002). Organizations will therefore strive to manage the dependency in either of two ways: 1) by reducing the demands made by external elements by reducing its dependency on them and/ or by gaining some countervailing power over them, and 2) by seeking to minimize the costs of compliance to the demands made by external elements (Kotter, 1979, p. 88).

Resources dependency theory have been commonly used to explain *why* firms engage into corporate political activity, arguing that the propensity to engage in political action is positively related to the degree of resource dependency (Hillman, Withers & Collins, 2009). Thus, firms will become politically active if

they perceive changes to the existing resource allocation to be a significant threat or opportunity (Getz, 1997; Biglow & Fahey, 1989, Oliver & Holzinger, 2008, p. 499). Firms facing the same environmental dependencies are also more likely to choose similar forms of political behavior to manage it (Hillman, Withers & Collins, 2009). The nature of external resources have also been shown to affect the choice of participation level. Ozer and Lee (2009) contend that although industry concentration is generally associated with political participation through collective action, the presence of government contracts incentivizes firms to engage individually in order to secure contracts for themselves. This finding suggests that when an external resource is both finite, private, and constitutes a significant part of firms' business, firms will compete among themselves for access to external resources.

### **Synthesis**

Through the lense of resource dependency theory, all organizations are dependent on externally controlled resources for their functioning. This dependency channels pressures towards conforming to the demands of external entities. In order to tackle this challenge, firms will strive to reduce the demands enacted by regulators by reducing dependencies, by getting countervailing power, or by seeking to reduce its overall cost of compliance with the demands made by the external environment.

## **Meso-level lenses**

### **5.4 Lense of Transaction Cost Theory**

Transaction cost economics is a theory of contractual relationships between a firm and a producer of a particular good (Williamson, 1985). Rooted in economics, organization theory, and contract law, it depicts a firm's decision on whether to internalize a function or source it externally as one of economic and contractual efficiency (Getz, 1997; Parmigiani, 2007). Both choices contain benefits and risks: internalizing activities or functions builds internal capacities but devotes permanent resources to the activity. Sourcing from the external environment affords the firm flexibility as opposed to utilizing permanent internal capabilities, yet the firm risks facing agency challenges (Getz, 1997 p. 40). These challenges stem from behavioral assumptions on which Transaction cost theory is formulated: that humans are subject to *bounded rationalities* and *opportunism* (Williamson, 1981, p. 553). Bounded rationality is the assumption that individuals are limited in the information they can acquire and process, leading to incomplete and suboptimal decisions. Building on this, economic transactions will be based on bounded rationalities and not pure rationality (Forsgren, 2013, p. 40). Since bounded rationality gives rise to a state of imperfect information, one party to the contract may abuse its increased bargaining power to the detriment of the contractor. This is essentially an agency problem, where the agent (contractee) acts at

the detriment of the principal (contractor). The contractor will have limited ability to verify the genuinity of the contract deviation and while guarding from such problems is possible, it is taxing for the organization (Ibid., p. 41).

Agency problems are caused by three critical dimensions that determine the significance of transaction costs, which in turn will affect a firm's propensity to internalize activities or functions: uncertainty, transaction frequency and asset specificity (Getz, 1997, p. 39-42). Uncertainty can be here be equaled with the ease or difficulty with which firms can oversee contractees. Greater uncertainty increases the pressure for a firm to internalize functions to mitigate the risk of imperfect agency. Transaction frequency refers to the regularity with which a transaction type occurs. Higher transaction frequencies increase the pressure to internalize activities, when asset specificity is high. Asset specificity denotes the specialization of physical or human assets required to execute a given task. High asset specificity increases the bargaining power of contractees, and firms are therefore increasingly incentivized to internalize these activities (Ibid.).

Although transaction cost theory was originally devised as a general theory of the boundaries of the firm's production, it has also been applied to more specific areas such as corporate political action (Getz, 1997). Figueiredo and Kim (2004) proposes that transaction cost theory explains why firms might choose to lobby directly rather than contract external lobbyists. They argue that firms are more likely to internalize lobby activities when lobbying issues are highly firm-specific and involves sensitive information, due to the risks of information leakage by contractees. This notion is related to the specificity of the firm's assets. Conversely, if issues are more general to the industry, firms rely more on external lobbyists. According to Jia (2018), this is however only the case when policy-makers value the quality of the lobbying information produced internally and externally as equal. If this is not the case, she argues that other intervening variables such as perceived legitimacy might affect the decision as well. In similar line of argument as Figueiredo and Kim, Kaufman, Englander, and Marcus (1993), have adopted the transaction cost framework to issues management to describe the sourcing decision as influenced by the specificity of issues; that is whether the firm's interest diverge from the industry or not; and by the issue frequency, which is allegorical to transaction frequency in Williamson's framework. They find that firms should only internalize political functions if an issue is specific and recurrent; in all other instances the firm should rely on trade associations, specialized intermediaries, or a combination of the two.

### **Synthesis**

Overall, the literature on transaction cost theory suggests that firms organize their lobbying activities based on the uncertainty, transaction frequency, and asset specificity of particular political activities in

order to achieve economic efficient governance structures. These decisions are shaped by the behavioral assumptions of bounded rationalities and opportunism, which can give rise to agency problems. This lense suggests that firms should internalize lobbying functions when the specificity of relevant assets or issues are high and when the issue is recurrent, since the potential for agency problems are highest under these circumstances. In all other cases, the best economic outcome would be to source lobbying functions externally.

## 5.5 Lense of Institutional theory

Institutional theory underscores the importance of external, institutional pressures in determining organizational and individual behavior (DiMaggio & Powell, 1983). According to institutional theory all organizations, whether governments, businesses, or interest groups, compete not only for resources, but also for political power and institutional legitimacy; that is to say organizations rely on both their social and economic fit with the external environment. Therefore, organizations adopt increasingly homogenized structures and practices, not because of their efficiency and rationalization, but in a pursuit to bolster legitimacy as perceived by external stakeholders. Thus, institutions circumscribe behavior to assure conformity with and consistency among value patterns. In other words, well established fields emerges and become structured through the activities of active organizations and the entrance of newcomers (DiMaggio & Powell, 1983). This fosters environments in which organizations will become less innovative and creative in their activities, leading to what is coined institutional isomorphism. In their seminal work, DiMaggio and Powell identifies three mechanics of institutional isomorphic change: *Coercive isomorphism* which stems from political influence and the problem of legitimacy, *mimetic isomorphism* resulting from standard responses to uncertainty and *normative isomorphism* associated with professionalization (DiMaggio & Powell, 1983, p. 150).

### Applications

Institutional theory has been used within the corporate political activity literature to show how firms mitigate current and potential environmental problems by exploiting political institutions as well as to gain a business advantage (Getz, 1997, p. 48-49). Because political institutions and their informal rules, procedures, and norms shape organizational behavior, firms may seek to deploy and acquire political resources to establish and shape institutions in ways desirable to the firm. Coen (2007, p. 335) argues that a 'bandwagon effect' has emerged, whereby more interest groups are active in Brussels. This development is arguably explained by the rise of distinct consensus politics in EU forums, which is itself a product of increasingly homogenized structures and practices. Furthermore, Coen (2007, p. 335; 2009, p. 160) argues that these institutions act as coercive isomorphic forces for change, which has created a distinct EU

interest politics model. The EU Commission's preference for output legitimacy over input legitimacy has also been perceived as an indicator of coercive isomorphic pressures in the sense that firms, interest groups, and lobbyists seek to serve the institutional needs of the Commission (Michalowitz, 2004).

Studies has also uncovered what can be perceived as isomorphic mimetic pressures. For instance, Drutman (2010) contends that undertaking lobbying activities such as establishing a Washington office sets in motion reestablishing processes, making firms more proactive in their lobbying strategies. Hillman (2003) finds that both institutional and firm-level variables are important determinants of political strategy approach, participation level, and strategy for U.S. multinationals in the EU. Beyers (2004) finds that institutional variables have a significant effect on whether and how lobbying strategies are combined. These findings lend credence to the notion that firms who have previously applied corporate political action are likely to reapply it in the future (Getz, 1997, p. 48). This is due to the presence of organizational institutions which direct managerial attention towards the use of corporate political activities. Accordingly, organizational structures and standard operating procedures influence how environmental signal are detected and addressed.

Woll (2012) and Mahoney (2007) applied institutional theory to investigate how different political systems in the US and EU shape different lobbying styles. Similar to these findings, variations in formal rules and informal norms and expectations have been found to affect the range of acceptable firm behaviors, constraining firm's selection of tactics and activities based on the prevailing institution of a country (Hillman, 1995). We can perceive the development of these distinct lobbying styles as the product of different normative isomorphic pressures in the EU and the US. Applying these findings to lobbying activities, firms will adopt the appropriate tactics to mitigate real or potential environmental problems, based on the institutional context (Getz, 1997, p. 48).

### **Synthesis**

Overall, institutional theory suggests that environmental expectations and norms will shape organizational and individual lobbying behavior. Accordingly, as industries become increasingly developed, institutional theory asserts that organizations within these industries will experience isomorphic pressures towards conforming to standard patterns of behavior. In doing so, they gain legitimacy. Resulting from this, the previously established institutional structures will shape future responses to emerging issues.

## **5.6 Lense of Interest Group Studies**

The theoretical lense of 'Interest Group Studies' is united in its emphasis on interest groups as the analytical center. Thus, this lense can be considered broadly as the branch of the literature that focuses on the characteristics, dynamics, and politics of interest groups at either the meso-level. In this view, interest groups are defined by the fact that their "survival depends on their material resources, their constituency and their structural embeddedness within a political system" (Beyers, 2004). Broadly speaking, this literature shares the basic premise that firms organize themselves into interest groups according to their interests in order to achieve political goals. This idea is rooted in the macro-theoretical views of Interest Group Theory or Pluralism, which holds that firms do so due to the presence of other groups of interest in society (Getz, 1997; Schaffer, 1995). This lense further has a tendency to discount the varying behavior of firms, holding instead that political behavior is mainly determined by structural conditions such as firm resources, market sizes, and public-private institutions (Schaffer, 1995, p.501). In the following review, we have subdivided articles into two rough themes; First, those concerned with interest group types and memberships from relatively resource-based perspectives, and those concerned primarily with issue contexts from a relatively institutions-based view of interest groups. While we will cover these topics as relatively separate below, it is important to note that some efforts have been made into developing encompassing frameworks, such as Michalowitz' (2007) influence assessment framework.

### **Interest group types and resources**

A great deal of interest has gone into uncovering the relation between interest group types and memberships. A major part of this literature has been occupied with empirical investigations of interest group types and characteristics from a resource-based perspective. For instance a study by Eising (2007) found that business interactions with EU institutions are in part determined by whether the actor is a national group, European group, or a single firm. Klüver (2012a), however finds that such group types do not significantly affect the likelihood of successful lobbying. In relation to this, Dür & Mateo (2013) found that interest group types such as business associations, professional associations, and citizen groups affect the choice of applying a strategy of inside or outside lobbying. Bouwen (2002) further differentiates between firm, national group, and European group lobbying as a co-determinant of the level of access to EU institutions.

There is general agreement in this literature that large firms are key players in EU lobbying (Eising, 2007; Klüver, 2012b; Wilts & Quittkat, 2004; Bombardini & Trebbi, 2009; Bennett, 1999). This is largely because large firms control substantial resources and generally possess policy-relevant economic and technical knowledge (Eising, 2007), which they can turn into political access. This dynamic can further

be captured by interest groups. Thus, Bennett (1999) found that influence of decision-makers is more likely when an industry association has large firms in its membership. At the same time, large focal members of groups have been shown to be less reliant on and more able to influence national interest groups due to their availability and control of the specific knowledge and in-house expertise necessary for effective EU lobbying (Wilts & Quittkat, 2004). According to Jacomet (2005), the unique value of interest groups is however not only the pooled resources provided by individual members, but also a series of specific political resources hailing from the very nature of collectivity. For instance, he points out that democratic legitimacy, business unity, coordination, and trade-offs between different political goals of the collective are distinct capabilities of interest groups. In Bouwen's work on European access goods, he similarly argues that interest groups are distinct from businesses because their collective nature allows them to generate information about the needs of a European sector in the case of European interest groups, or about domestic markets in the case of domestic interest groups (Bouwen, 2002).

Another key topic of interest to the interest group literature is Europeanization. Europeanization is commonly understood as the process by which national interest groups extend their lobbying activities to the European level (Klüver, 2010, p. 176). The reasoning for doing this is that European interest groups are characterized by a high degree of interest heterogeneity, which often restricts them to only represent their members on the lowest common denominator (Ibid.). Dür & Mateo (2012) propose that Europeanization is primarily undertaken by interest groups with high resource-endowments due to the costliness of undertaking lobbying activities on both the national and European level. They further argue that business groups are generally more active in European lobbying, since these groups generally have access to more resources than i.e. citizen groups. In later works, Dür & Mateo also found that issue contexts were important determinants for Europeanization. They thus found that those groups active in distributive policy fields (Dür & Mateo, 2013) or areas with high EU competence (Dür & Mateo, 2014) are more Europeanized than others.

### **Issue contexts**

Multiple studies have found issue contexts to be important determinants for other lobbying structures than simply Europeanization. A typical distinction to make is between diffuse and specific interests, which relates to the constituencies interest groups represent and upon which they rely for political mobilization (Beyers, 2002, p. 589). While this distinction is often described in terms of the extremes of e.g. citizens groups and national business associations, it can however be beneficial to think of as a spectrum, in which the ability to mobilize resources decreases as interests become more diffuse. For instance, Bombardini & Trebbi (2009) found that highly competitive business sectors in the U.S. tends



to lobby more through sector-wide trade associations, whereas firms in more differentiated sectors tends to lobby more individually. The specific characteristics of a legislative proposal have also been hypothesized to affect the mobilization of interests. Thus, Klüver, Braun & Beyers (2015) propose that the complexity, policy type, status quo, salience and degree of conflict characterizing a particular proposal all affect the possibilities of mobilization in different ways. They further argue that these contextual factors are interrelated and guided by broader institutional structures. One example of this view is discovered in Bièvre, Poletti, Hanegraaf & Beyers' (2016) case study of interest mobilization in EU and U.S. WTO disputes, where they found that issue-linked trade negotiations incentivize firms to work through broad sector-wide lobbying organizations, whereas WTO dispute settlements incentivize product-specific interest mobilization. On a similar topic, Gray, Lowery, Fellowes & Anderson (2005) found that the size of legislative agendas of concern to different types of organized interests has a profound effect on the size of lobbying communities in the U.S. While the study of issue contexts is undertaken in several of our theoretical lenses, this lens differs from the view of i.e. transaction cost economics in the sense that researchers are more concerned with how issue contexts affect lobbying constituencies and structure through the causal power of broader institutional structures.

### **Synthesis**

Overall, the literature on interest groups within this lens suggest that when firms lobby, they tend to mobilize resources collectively when their interests are aligned. The main contribution of this lens is the identification of a broad set of constraining and enabling factors that shape how interest groups are organized and lobbying activities are structured. Of the most important highlighted above is interest group types, constituencies, embeddedness in political systems, and issue contexts.

## **Macro-level lenses**

### **5.7 Lense of Access and Information Literature**

Based on resource dependency theory, the access and information literature contends that firms are not solitary in their resource dependency on their external environment: EU institutions and officials depend on expertise, information, and reputation for the European public policy process to proceed efficiently and legitimately (Coen, 2007, p. 334). Access literature operates with a macro-level unit of analysis emphasizing political systems and the interdependencies between public and private actors. The literature thus focuses more broadly on the public policy process than the firm-level perspective of resource dependency. The access and information literature's principal framework is based on Bouwen's (2002) concept of access goods. Access goods refer to informational goods in demand by public officials, which

external organizations are capable of supplying. Bouwen distinguishes between three categories of access goods: expert knowledge, information about the needs and interests of the European economic arena, and information about national needs and interests. (Ibid, p. 369). In other words, the central tenet of the access literature is that an institution's dependency on particular access goods influence the degree of access that different private actors have to that institution (Ibid, p. 370). Although this lense focuses on access, it is important to note that access is not equated with influence, but rather seen as a prerequisite (Dür, 2008; Schaffer, 1995).

The demand from particularly the Commission stems from it being understaffed and under severe budget constraints, making it dependent on external resources to gain the necessary expertise (Bouwen, 2002, p. 379). This notion is supported by the fact that 15.000 European Commission and European Parliamentary officials are faced by 20.000 lobbyists (Coen, 2007, p. 334-335). Building on this, the Commission is perceived to be a promotional broker of EU policy due to its capability of proposing legislation (Bouwen, 2002, p. 379). Information about the domestic and European encompassing interests helps the Commision map the political landscape, enabling it to propose legislation that is more likely to be accepted by the Parliament and the Council. Similarly, the European Parliament and Council will demand access goods in line with their institutional compositions. Bouwen (2002, p. 383) proposes a pecking order for EU institutions, with the Commission favoring access to large individual companies, the Council favoring national associations, and the European Parliament favoring European associations.

### **Multilevel strategy**

Resulting from the multitude of institutional demands, firms can target multiple access points by supplying multiple access goods (Eising, 2007). The Commission is found to be the institution that most organizations are in contact with (Ibid.). Large firms is found to gain access equally between the Council and the EP - unlike business associations, who struggle obtaining the same access to the Council (Ibid, p. 394-395). These access patterns show that large firms strive to engage with all EU institutions, even though they do not in all cases supply the preferred access good. Furthermore, they can employ different participation levels through direct action or lobbying through intermediaries such as interest organizations. The latter will be utilized whenever their access good is demanded by the institution in question e.g. European interest groups and the European Parliament. In other words, firms will engage into a multilevel strategy, utilizing their access goods in different institutions with different participation levels (Beyers, 2002, p. 606). Since the demand for access goods changes throughout the policy process, firms may adopt different access strategies sequentially and/ or concurrently.

## **Synthesis**

The access and information literature conceptualizes the European public policy process as based on the supply and demand for access goods. Mutual interdependencies exist between public and private actors, whereby the former will demand different types of information from the latter in exchange for privileged access to the regulatory process. Furthermore, firms may enter into multi-level strategies, leveraging their supply of access goods sequentially and/ or concurrently in multiple institutional access points.

## **5.8 Lense of Economic Theories on Lobbying**

This theoretical lense revolves around the use of economic concepts and methods to explain political behavior and the public policy process. Literature within this lense commonly conceptualizes the public policy process as a market-like process in which demanders and suppliers of public policies interact (Bonardi, Hillman & Keim, 2005). Suppliers of policies refer to political decision-makers who shape policies and agendas, whereas demanders includes interest groups, private citizens, and firms (Hillman & Hitt, 1999). Studies within this lense typically make assumptions common to economic theory such as that all political actors behave rationally and are self-interested and utilize a variety of economic methods such as mathematical modelling and game theory (e.g. Potters & Winden, 1992; Hillman & Riley, 1989). While most of the economic literature focuses on macro-level topics such as the political system itself, some studies also apply game theory to more micro-level topics such as the choice of lobbying strategy.

Three major approaches have been applied to explain the presence and functioning of lobbying: Public choice theory, collective action theory, and resource-exchange theory. Public choice theory argues that the public policy process is ruled by the laws of demand and supply (Getz, 1997). In this lense, firms engage in political activity in order to 'purchase' a beneficial policy by providing information or direct incentives such as financial or constituency support (Hillman & Hitt, 1999). Further, policy-makers and firms alike are seen as self-interested actors (Schaffer, 1995). According to Bonardi, Hillman and Keim (2005) firms choose to engage in the public policy process when they believe there to be potential benefits harvested, and when these benefits exceed the costs of political action. Collective action theory is primarily concerned with the conditions under which firms engage in collective action. The central tenet in this literature is that firms will engage in collective action when possible benefits of political action is collective in nature; that is shared by all (Getz, 1997). Conversely, firms are theorized to engage in individual action, when potential benefits are private or exclusive. In one empirical study, Bombardini and Trebbi (2009) found the central tenet to be relatively robust, with competitive firms tending to lobby together, whereas concentrated industries with differentiated products tended to lobby individually. Finally, resource-exchange theory presents a less restrictive model of political activity. In similarity with

public choice theory, this theory argues that political activity revolves around an exchange of resources, and that this exchange only occurs when it is reciprocal and both sides receive a benefit from the interaction (Bouwen, 2002). The main difference however, is that the resources exchanged are defined more broadly, and that the distribution of benefits are determined by power structures. Thus, if one actor has more power and less dependence than the other, the powerful actor will typically exploit its advantage, leading to unequal benefits (Getz, 1997). The degree of contestation by other political actors have also been shown to influence political activity in a resource-exchange model (Holyoke, 2003).

### **Synthesis**

The lense of economic theories generally perceive the public policy process as market-like exchanges with demanders and suppliers of public policies. The main contribution of the lense to the field lies in the formalization of political behavior and the creation of testable hypotheses. We distinguish here between public choice theory, collective action theory, and resource-exchange theory.

## **5.9 Lense of International Political Economy**

Central to the field of International Political Economy (IPE) is the contention of a shift of power from the state to non-state actors and supra state actors in political capacities (Fuchs, 2007, p. 42). This shift is attributed to the economic and political changes of globalization, giving these nontraditional actors an important political role (Ibid., p. 42). New forms of business political activity includes private-public partnerships, increased self-regulation through for instance hybrid forms of governance (Frandsen, 2012; Abbott et al., 2016), and the role of international rule-setting by businesses such as credit rating agencies (Fuchs, 2007, p. 42). The IPE literature generally investigates business-government relations on a macro-level. This allows for insightful contextual factors otherwise neglected or missed entirely by smaller unit-level of analyses, such as the economic and political changes for non-state actors as a consequence of globalization or of capitalism altogether. The main contribution towards this thesis is the theory on structural power. Structural power underlines in particular the automatic ways some large firms influence politics without necessarily trying to, due to their position in the capitalist system as as a key driver for economic growth. According to Lindblom, firms enjoy a privileged position in society due their role as capital holders and supplier of investments (Culpepper, 2015, p. 391). Following this, politicians no matter their creed or color would automatically have to secure these investments from businesses, as they can otherwise sabotage government policy by refusing to invest (Ibid, p. 392).

The theory on structural power have seen some resurgence with contributions on financial regulation and bank bailouts after the great financial crisis (Culpepper & Reinke, 2014; Fairfield, 2015; Young, 2014;

2016). Large and systemically important businesses play a key role in implementing public policies, and this role arguably translates into an increased voice in public debates (Dahan, 2005, p. 15). Within the world of finance, systemically important banks are central to the functioning of not only the financial sector but also the rest of the economy, whereby their structural position make bank bailouts more likely to occur (Culpepper & Reinke, 2014, p. 446-447). The agricultural and food sectors do not possess the omnipresence in the economy as finance, yet the sectors have been historically influential in Europe (Fennel 1997, p. 12-13), implying some degree of structural power.

### **5.10 Concluding remarks**

In the above, we have now covered nine distinct theoretical lenses; an overview of these lenses can be seen above in table 4.1. The purpose of this review was to gain a theoretical understanding of how we might explain firms' lobbying decisions based on the existing literature on the subject. The theories covered in this review operate on different units of analyses, but have all been included because they might shed light on potential causal explanations of the choice of lobbying mode. Whereas the primary focus of this review was to give us a broad overview of the lobbying literature, the next section will distillate these lenses further in order to develop specific theoretical propositions about causal relationships. We have thus concluded the first phase of our deductive research program and will therefore turn to the second phase, which examines the potential causal relationships and develops specific theoretical propositions about the choice of lobbying mode.

## 6. Causal examination

In this section we begin to theorize more narrowly about the causal mechanisms at play during a firm's decision to engage in direct or intermediated lobbying. In order to develop the resulting theoretical propositions of lobbying behavior, we draw upon the theoretical lenses covered in the previous section. This section thus concerns the second phase of our analytical approach, which still operates on a general, theoretical level. The theoretical propositions developed in this section will guide us later in the thesis, when we will perform an empirical investigation of the case of Arla and later, when we develop a causal model of lobbying behavior.

Before we go on, it is however important to note that the two lenses of International Political Economy and Economic Theories on Lobbying did not allow us to develop specific theoretical propositions about the causal relationships of lobbying behavior. The reasons can be summarized as that the Economic Theories are too simplified to give us an idea of potential causal relationships, and that the notion of structural power is difficult to apply in a firm-level unit of analysis such as the one adopted in this thesis. Nevertheless, this section will introduce and describe different potential causes for the choice of lobbying mode and develop theoretical propositions about how each cause is linked to a particular outcome through specific causal mechanisms. Although we recognize that these causes might operate concurrently and thus might generate positive or negative interferences, we will cover each cause separately for didactical purposes. Even though these theoretical propositions are informed predominantly by the theoretical lenses introduced earlier, it is relevant to note that we have applied some of these ideas in relation to the empirical material collected from Arla in order to better understand how the causal mechanism could function in a practical setting. We will therefore make specific remarks where our understanding comes specifically from the empirical material, and otherwise describe the causal propositions through generalized terms. For the sake of readability, we will also summarize the examination of each cause using the following scheme:

Causal outline		
Cause	Mechanism	Effect on outcome
Cause (Theoretical lense)	Behavioral logic Mechanism	Pressure towards particular outcome
Contextual factors		
Factors influencing the strength of pressures that are not, by themselves, perceived as causes		

The examination of each cause follows a common format. First, we will describe the cause as well as outlining our reasoning for including it as a cause by referencing relevant theoretical lenses and our empirical material. Second, we will describe the hypothesized causal mechanic and its functioning as well as highlighting the overall behavioral logic that activates the mechanism. However, a common denominator for firms behavioral logic is that they pursue outcomes that are optimal to its interests. Third, we will explain how the mechanism leads to particular outcomes. Since we expect multiple causes and mechanisms to be at play concurrently in the final causal model, it would be counterproductive to argue that a particular cause would always lead to a particular outcome. Instead, we refer to the effect of different causes in terms of the pressures towards one direction or the other. Lastly, we will note how different contextual factors impact the influence of the cause. In some cases, contextual factors will serve as absolutely necessary conditions for the activation of the mechanism, while in others, contexts will have an amplifying or diminishing effect on the causal pressures.

## 6.1 Issue specificity

Causal Outline		
Cause	Mechanism	Effect on outcome
Diffuse or specific interests exists within the members of a trade association  (Interest group theory)	Behavioral logic: Firms pursue outcomes that are optimal to its interests and interest groups are its preferred mode of lobbying.  Specific mechanism: Intra-sector interests heterogeneity makes coalition building unsatisfactory or impossible. Being unable to pursue optimal outcomes through the trade association, firms activate direct lobbying.  Diffuse mechanism: Intra-sector unity enable coalition building through intermediated trade association lobbying.	Pressures towards direct lobbying if specific intra-sector interests and intermediated if diffuse intra-sector interests.
Contextual factors		
<ul style="list-style-type: none"> <li>• The complexity, and salience all affect the possibilities of mobilization.</li> <li>• Both performance and agency uncertainties pressure the firm towards direct lobbying.</li> </ul>		

### Cause

Through our literature review, we have identified issue specificity as a relevant cause of a firm's chosen mode of lobby activities. As depicted within the interest group theory section, issue specificity details the logic of collective action as two opposites in a spectrum of either specific or diffuse interests on a given issue. This strand of literature contends that firms organize themselves into interest groups according to their interests in order to achieve political goals. Issue specificity as a cause for a lobbying outcome aids in qualifying *when* firms utilize intermediaries. The issue specificity typologies portray differing degrees of intra-sector conflict, for instance the acquisition of protected geographical indication for a particular firm's product is a highly specific issue, whereas Common Agricultural Policy reforms are typically more diffuse. We argue that issue specificity is an important cause that impacts firm's decision-making when determining mode of lobby engagement. Through this cause we would expect increasing pressures



towards direct lobbying when intra-sector interests diverge. Conversely, we would expect that firms choose intermediated lobbying whenever issues are constituted by diffuse or broad interests.

### **Mechanism**

Underlying the causal mechanism of issue specificity, we expect firms to follow the behavioral logic of pursuing outcomes that are optimal to its interests. This implies that firms are, ultimately, concerned with maximizing performance notwithstanding the mode of lobbying. Furthermore, we expect firms to prefer intermediated lobbying, as interest groups are perceived to be more legitimate than firms lobbying independently; interest groups and their inherent larger coalitions represent more absolute economic weight, typically encompass broader interests through their sectoral perspective, and is arguably more likely to reflect a common compromise instead of a captured position. Given this logic, firms will strive to employ interest groups as arbitrators of sectoral coalition building insofar as the intermediated compromise satisfy internal interests. In situations where a firm's interests are specific and isolated from those of the interest group or intra-sector conflict is simply high, the firm is unable to pursue its optimal outcome satisfyingly through an interest organization. As a consequence of this insufficient intermediated lobby outcome, direct firm lobbying is activated. It is important to note that direct and intermediated lobbying are not mutually exclusive; concurrent activities can and may often occur.

### **Contextual factors**

The degree of industry unity, we argue, is impacted by a multitude of contextual factors. If public salience is high for a given issue, a firm might attempt to avoid reputational damages from contentious public policy debates; this would increase pressures towards intermediated lobbying. This was also indicated as a contextual factor through our interviews with Arla and their interest groups. Complexity is another contextual factor of issue specificity that impacts pressures towards particular a lobbying mode. In general, the more complex an issue is, the likelier it is that it impacts firms in different ways and that they would therefore have diverging interests. This is more likely to occur when firms have heterogeneous production processes. Performance and agency uncertainties can also impact the a firm's decision on how to lobby. If a firm is experience high uncertainties with regards to the performance of its agents, it will increase pressures to conduct those activities internally. Structural power may allow a firm to conduct direct lobbying in situations where other firms otherwise would be unable to, rooted in the notion that public officials are more open to influence.

## 6.2 Issue importance

Causal outline		
Cause	Mechanism	Effect on outcome
Cause: Issue importance as measured by impact on the firm (Resource Dependency)	Behavioral logic: Firms believe that their political presence should match the expected impact of an issue  Mechanism: Firms dependent on externally controlled resources will increase political activity in order to maintain access. The higher the threat to access, the higher the level of activity. Difficulties in upscaling intermediated lobbying leads to increased direct lobbying.	High importance increases overall lobbying activity as well as increases pressures towards direct lobbying
Contextual factors		
<ul style="list-style-type: none"> <li>• The degree of control over interest groups influences the strength of pressure towards direct lobbying</li> <li>• Issue specificity is related to both lower interest group control and higher issue importance</li> </ul>		

### Cause

We have identified issue importance as a potential cause for engaging in particular lobbying modes. We define issue importance as the potential impact an issue can have on the firm. This cause is based on resource dependency theory, which we outlined in section 4.3. In this view, the propensity to engage in political activity is positively related to the degree of resource dependency (Hillman et al., 2009). Thus, if a firm's access to critical resources is threatened, we would expect the firm to be more likely to engage in political activity, and even more so the greater the threat. We contend that resource dependency not only explains whether firms will lobby or not, but also explains the amount of resources that firms chooses to deploy to gain or maintain access to critical resources. We thus argue that the overall level of political activity increases with the importance of the issue, and that this affects both direct and intermediated lobbying activities. We do however expect this increased presence to be skewed towards direct lobbying activity for reasons described below.

## **Mechanism**

In order for the underlying causal mechanism to be activated, we expect that firms behave according to a logic of ‘fitness’; that is that they base their lobbying decision on an appropriate fit between their political presence and the expected impact of an issue. This political presence is conferred both collectively through participation in interest groups and individually within the firm. For instance, several interviewees noted that it was important for individual firms to be seen as politically relevant and having a strong, internal opinion on important issues. We expect this logic of fitness to be expressed through a prioritization of issues based on their impact. This logic is what we hypothesize activates the causal mechanism of issue importance. Since firms want to maintain or gain necessary political resources, they allocate the necessary attention and resources in order to do so. Their capacity to increase internal and delegated activities is however unequal. Interest groups are collective entities that function through compromises and common agreement, and since any one firm only exercises partial control, it cannot increase the level of activity of the interest group without the acceptance of other firms. Similarly, financing of more activities must be agreed upon by others. What the firm however easily can do is enhance its internal lobbying activities and coordinate more actively with the interest group, which in both cases increases the internal mobilization of firm resources. Therefore we argue that issue importance increase overall lobbying activity, and that this increased activity pressures the firm towards direct lobbying engagements.

## **Contextual factors**

We have identified two contextual factors that could influence the strength of this causal pressure. First, we argued that firms face a limitation in upscaling intermediated lobbying individually due to their only partial control of interest groups. This degree of control naturally depends on the specific characteristics of the interest group in question. If an interest group enjoys a broad membership, control would naturally be more diluted, and it would therefore likely be more difficult to come to agreement. At the opposite end, some interest groups might enjoy a small membership, or the firm could possess a large enough ownership that it had effective control over the interest group. In these cases, we would expect the pressure towards direct lobbying to have less of an effect on the outcome. The control over interest groups are highly related to a second contextual factor, namely the specificity of an issue. As we cover elsewhere, issue specificity is highly related to the ability to build coalitions and agree on common stances within interest groups. If we subscribe to the conceptualization of the firm as a unique bundling of resources (see section 4.1), issue importance also has a direct relationship with issue specificity. Thus, while broad issues typically concern those where policy benefits are distributed relatively evenly throughout an industry, specific issues are those where benefits tend to favor one firm over the others.

We would therefore expect some positive relationship between issue specificity and issue importance; and since both generate pressures towards direct lobbying when high, we expect these to be mutually enhancing.

### 6.3 Differences in Political Capabilities

Causal outline		
Cause	Mechanism	Effect on outcome
<p>One actor possesses more suitable political capabilities than the other</p> <p>(Resource-based view &amp; Strategic management)</p>	<p>Behavioral logic: Firms are concerned with policy outcomes; they have no inherent preference of lobbying mode but act strategically.</p> <p>Mechanism: Firms will choose the lobbying mode that secures the best policy outcome. Since the efficiency and performance of lobbying activity is derived from political capabilities, firms base the decision on the endowment of political capabilities.</p>	<p>Pressures towards the actor with the most suitable political capabilities</p>
Contextual factors		
<ul style="list-style-type: none"> <li>• Firms will seek greater coordination with interest groups in order to develop or enhance internal capabilities if the issue type is frequent and is perceived to have a large impact on the firm. This has a diminishing effect on pressures to either outcomes.</li> <li>• Both performance and agency uncertainties pressure the firm towards direct lobbying, regardless of capability endowment.</li> </ul>		

#### Cause

We have identified the differences in political capabilities as one potential cause for engaging in particular lobbying modes. By political capabilities we refer to the ability to engage in particular political activities such as lobbying. These capabilities stem from an organization's access to specific political resources. By differences we refer to the fact that all organizations have access to different resources or have combined them in particular fashions. Therefore, each organization, whether a firm or an interest group, has different political capabilities. This difference lies both in an ability to engage in some activities that others cannot or in an ability to do so better (or worse) than other actors. We argue that firms take this difference

into consideration when choosing a lobbying mode. This argument is based on the two related theoretical lenses of the resource-based view of the firm and strategic management. It is resource-based in the sense that we view resource endowments as determinants of political activity, but also strategic in the sense that we expect the lobbying mode to be determined strategically by the firm rather than through structural determination or habit. Through these lenses, we would therefore expect pressures towards direct lobbying to increase if the firm itself possesses the most suitable political capabilities, and pressures towards intermediated lobbying to increase if interest groups possess the most suitable political capabilities.

### **Mechanism**

We expect that the mechanism underlying the differences in political capabilities cause is activated by a strategic behavioral logic. This implies that firms wanting to engage in political activity are primarily concerned with maximizing potential policy outcomes. We thus assume that firms do not have an inherent preference of lobbying mode, but rather that they act strategically in the sense that they will pursue whichever mode most suitable at achieving beneficial policy outcomes. We hypothesize that the mechanism, through which differences in political capabilities causes direct or intermediated lobbying modes, is activated by this behavioral logic. As firms are concerned with maximizing policy outcomes, they will chose a lobbying mode that is best suitable at achieving this. Since the ability to achieve policy outcomes is associated with political capabilities, we expect firms to base the choice of lobbying modes on the difference in the endowments of political capabilities. We further expect this choice to be based on considerations of efficiency and performance; that is the perceived relative cost of engaging in political activity versus the chance of successful influence. Ultimately, then, we hypothesize that firms will be more likely to engage in direct lobbying when the internal political capabilities exceed those of relevant interest groups and vice versa.

### **Contextual factors**

We have identified a series of contextual factors producing confounding effects on this cause. We will briefly cover how these contextual factors shape potential outcomes here. Thus, the frequency with which a particular issue type occurs as well as the perceived impact on the firm of those issues can have a moderating effect on causal pressures. We expect that if the issue frequency is high and issues are perceived to have a large impact on the firm, a firm would be more likely to seek to either develop or enhance its internal capabilities. Firms can do this in two ways. First, they can allocate more resources internally in order to increase internal political capabilities, and second, they can seek greater coordination with interest groups with the purpose of absorbing or learning external political capabilities. In the first

case, we expect pressures towards direct lobbying to increase, as the firm increases its ability to do so. In the second case, we expect a diminishing effect on pressures towards either outcome. That is to say, if the firm itself possesses the most suitable political capabilities, it will coordinate with interest groups in ways that enhance its existing political capabilities, thus diminishing the pressure towards a purely direct lobbying mode. If interest groups possess the most suitable resources, firms might coordinate and tap into the lobbying process in order to develop new political capabilities, thus diminishing the pressure towards a purely intermediated lobbying approach.

Uncertainty can also have a confounding effect on how political capabilities functions as a cause. Two types of uncertainty are of note here; performance uncertainty and agency uncertainty. Since we argued that firms utilize political capabilities strategically, we argue that these uncertainties must also be taken into consideration when choosing a lobbying mode. Performance uncertainty relates to the fact that firms do not always know the exact efficiency or performance of either lobbying mode. Instead, firms may rely on past experiences as indicators for future performance. This can also create imbalances in the uncertainty associated with each lobbying mode, for instance if a firm has historically lobbied directly and has little experience in intermediated lobbying. Agency uncertainty refers to the risk of an agent - in this case an interest group - engaging in shirking or acting contrary to the interests of the principal (the firm). This risk is thus associated with intermediated lobbying. We expect that firms take these types of uncertainty into consideration when choosing a lobbying mode, and that higher uncertainty associated with a particular lobbying mode diminishes the pressure towards choosing that mode. Uncertainty can therefore have a moderating effect on the optimal choice of political capabilities.

## 6.4 Institutional demand

Causal outline		
Cause	Mechanism	Effect on outcome
Institutional demands for different access goods  Firms and interest groups supply different access goods which are demanded by EU institutions  (Access and information literature)	Behavioral logic: Firms seek to maximize access to institutions  Mechanism: Firms choose the lobby mode best capable of supplying demanded access goods	Pressure towards lobby mode best capable of supplying demanded access goods
Contextual factors		
<ul style="list-style-type: none"> <li>• Uncertainty may distort a firm's calculus when assessing who ought to supply the access good</li> </ul>		

### Cause

We have identified institutional demand for access goods by EU institutions as a cause impacting the choice of lobbying mode. Institutions demand access goods for a variety of reasons. Firms and their interest groups can supply different access goods due to their respective activities and constitution. More specifically, the ability of a given firm or interest group to deliver access goods will differ with regards to the scope of internal resources such as technical expertise and knowledge about national or pan-european interests. We argue that firms will consider which lobby mode most adequately supplies the demanded access goods by the EU institutions. This will in turn create pressures towards the mode lobby best capable of supplying the institutionally demanded access good. We expect these pressures to be mediated by the degree of complexity and uncertainty, as described below.

### Mechanism

Intrinsic to the mechanism of institutional demand is the firm behavioral logic of pursuing access to institutions. Access to institutions is pursued because it is perceived as a prerequisite to influence them. Maximizing access to institutions should in this context be comprehended as the ability to gain optimal access i.e. taking meetings when it is deemed optimal (not simply when possible) by the firm. Emanating from this, firms will choose the mode of lobbying best capable of supplying the demanded access goods.

To exemplify this institutional demand, take a scenario where the European Commission demands the access good of technical expertise. Expert knowledge is typically situated within large firms, given their highly specialized activities (Bouwen, 2002). Thus, the firm is the best at supplying the demanded expert knowledge, leading it to engage in directing lobbying when institutions demand their specialized expert knowledge. This is not to say that expert knowledge does not exist in interest groups, yet large firms are typically better at providing the access good. Conversely, if the European Commission instead demands information about national and European needs and interests, an access good best provided by intermediated lobbying, we expect the firm will engage in intermediated lobbying.

**Contextual factors**

We have identified uncertainty as a contextual factor that could impact the strength of this causal pressure. Uncertainty about the access goods demanded by institutions can distort a firm’s calculus when assessing who ought to supply the access good. This contextual factor may stem from the degree of complexity of an issue, or may be simply nested in a lack of complete information.

**6.5 Institutional isomorphic pressures**

Causal outline		
Cause	Mechanism	Effect on outcome
Institutional isomorphic pressures  (Institutional theory)	Behavioral logic: Firms believe that legitimacy is positively related to lobbying performance.  Mechanism: Firms choose the mode that is perceived by stakeholders to be most legitimate.	Pressure towards most legitimate lobbying mode
Contextual factors		
<ul style="list-style-type: none"> <li>• Stability of institutional pressures</li> <li>• Uncertainty about the preferences and behavior of other actors</li> </ul>		

**Cause**

We have identified institutional isomorphic pressures as another potential cause for engaging in particular lobbying modes. Institutional isomorphism refers to the phenomena where different actors within an organizational field adopt increasingly similar patterns of behavior due to the influence of institutional



pressures (See section 4.5). By conforming to these pressures, firms can increase their legitimacy in the eyes of stakeholders. We argue that the choice of lobbying mode is similarly subject to institutional pressures, and that pressures towards a particular lobbying mode would make a firm more likely to take that approach in order to gain or maintain institutional legitimacy.

### **Mechanism**

In order for institutional pressures to cause a particular argument, we argue that firms behave according to a logic of legitimacy seeking. Thus, firms perceive legitimacy to be both a requisite of political influence as well as a determinant of the level of access that firms have to political institutions. Since access itself is a prerequisite of political influence, we argue that firms believe there to be a positive relationship between the legitimacy of lobbying activities and the ability to achieve optimal policy outcomes, i.e. lobbying performance. The mechanism linking institutional isomorphic pressures and the choice of lobbying mode builds on the way that firms react to these. We expect that firms will conform to institutional isomorphic pressures, and that the choice of lobbying mode will be made according to perceived expectations and norms in the institutional environment. It is important to note here that these pressures can be exercised towards various lobbying modes, and that the strength of each pressure is highly specific to the particular context.

### **Contextual factors**

Two contextual factors are of particular relevance in relation to institutional isomorphic pressures: the stability of institutional pressures and the environmental uncertainty. Since isomorphism is the product of continuous institutional pressures, institutional theory presupposes that these pressures stay roughly the same over time. Under such conditions, we would expect firms to become more entrenched - or path dependent - in a particular approach to lobbying over time. We can however also conceive of situations in which institutional pressures are less stable. For instance, newly appointed policy-makers might have different expectations about firms' lobbying behavior than their predecessors. In this case, we might expect firms to be less inclined to commit to any one particular approach, relying instead on a multitude of approaches in order to hedge against change. General uncertainty about the preferences and behavior of other actors can similarly prompt risk averse behavior in firms.

## 6.6 Agency problems

Causal outline		
Cause	Mechanism	Effect on outcome
Agency problems (Transaction cost economics)	Behavioral logic: Firms adjust behavior according to uncertainties about agency problems  Mechanism: The larger the agency problem, the more probable it is that interest groups serve their own interests to the detriment of the individual firm	Agency problems generate pressures towards direct lobbying
Contextual factors		
<ul style="list-style-type: none"> <li>• Issue specificity increases the likelihood of agency problems</li> <li>• Greater uncertainty will increase pressures towards direct lobbying.</li> </ul>		

### Cause

We propose that the presence of agency problems might have a causal relationship with the choice of lobbying mode. By agency problem we mean instances, where the actions of an agent - in this case an interest group - are misaligned with the interest of the individual firm. We argue that firms are concerned with the efficiency and performance of lobbying activities; that is the amount of resources used in the lobbying process as well as the likelihood that their interests are incorporated into policy outcomes. Since agency problems are related to both lobbying efficiency and performance, we expect that the higher the risk of potential agency problems in an intermediated lobbying mode, the more likely it is that firms will engage in direct lobbying. We argue that agency problems are a relevant cause of lobbying mode based on the literature on transaction cost economics. Contrarily to other causes outlined thus far, agency problems isolates the choice of lobbying to an internal cost-benefit analysis for a firm. The other causes typically emphasize the importance of the external environment e.g. resource dependence.

### Mechanism

Overall, firms want their interests to be pursued through the most efficient lobbying mode. This is a simple choice if they can expect a potential agent to exercise its responsibilities to the fullest extent; that is if the relationship is characterized by perfect agency. Transaction cost economics, however argues that this is never the exact case. Agency problems can thus arise from a difference in the interests of a firm

and an interest group, or from the fact that agents might possess more information about the cost of lobbying than the firm. In the first case, a misalignment of interests might cause the agent to lobby at the detriment of the firm, and in the other case, the agent might attempt to shirk its responsibilities by putting in a minimal effort. It is however by no means certain, that the agent will engage in such opportunistic behavior. We argue that firms are aware of this uncertainty, and that they will adjust their behavior accordingly. Thus, we expect that the higher the perceived probability of agency problems, the higher the pressure towards direct lobbying. This can express itself in two ways: Either the firm internalizes lobbying functions in order to avoid agency problems altogether, or it increases coordination with interest groups in order to be able to monitor and control it, thereby reducing the likelihood of detrimental agent behavior.

### **Contextual factors**

We have identified multiple contextual factors that we argue are relevant in relation to agency problems. We expect the issue specificity is a contextual factor in the sense that it might affect the degree of agency problems. The more specific an issue is, the more likely it is that an interest group would need to encompass diverging interest among its members. With this in mind, we expect that interest groups will attempt to reach broad, lofty compromises or even refrain from taking action. From the firm's perspective, and due to incomplete information, this (in)action might be perceived as shirking. Another contextual factor is the overall uncertainty with regards to the performance of the agent. The performance of an agent can constitute as an element of uncertainty, if its activities are difficult to measure or scrutinize. In such situations, we expect pressures towards direct lobbying are increased.

## **6.7 Concluding remarks**

In this section, we set out to perform a causal examination of our theoretical lenses in order to develop theoretical propositions about how different causes might affect the firm's choice of lobbying mode. We here distilled the nine theoretical lenses introduced earlier into six potential causes. The purpose of this section was to develop specific propositions about the types of empirical fingerprints that we might expect to be present in a case, if a particular causal mechanism would be present. Having done so, we thus conclude the second phase of our deductive research approach. In the following section we will then investigate the case of Arla in order to determine whether the proposed causes are present and how they function in reality. The insights gained from this empirical investigation will guide us later, when we develop our causal model of a firm's choice of lobbying mode in the European Union.

## **7. Empirical investigation**

Having now outlined and explained different hypothesized causes linked to the choice of lobbying mode, we will now turn to the empirical study of Arla. The purpose of the causal examination was to develop theoretical propositions about how each of our six identified potential causes might operate in a real world setting. It is however important to reaffirm that this exercise still took place at a general, theoretical level inquiry. In this section, we will use the case of Arla to investigate specifically how these causes operate empirically, if they indeed are present as we hypothesized. This section thus concerns the third phase within our analytical approach. The ultimate purpose of this phase is to test our theoretical propositions empirically and understand how causes operate in a real world setting in order to develop a more robust causal explanation of lobbying behavior. The insights generated in this section will thus lead us to our final development of a causal model of the choice of lobbying behavior. Before we analyze the case of Arla, it is however important to discuss a major empirical observation about how Arla typically engages in lobbying. More specifically, that Arla has chosen to employ intermediated lobbying as their standard mode.

### **7.1. Intermediated lobbying as Arla's standard mode**

In the causal examination, we used the term 'pressures' in recognition of the possibility that different causes are interrelated and function in tandem. However, while we did take into consideration different contextual factors and how they might affect these pressures, we dealt with the theoretical causes as relatively closed or isolated systems. In the real world, however, a myriad of contextual factors might be at play at any particular time. One such context, which we have dealt with only passingly in the causal examination is the formation and replication of organizational behavior. By this we mean the idea that organizational structure and routines affect the development of goals, expectations, and execution of choices (Getz, 1997, pp. 45-46). The idea is that over time, organizations creates standard patterns of behavior or routines. The implication is that organizations become increasingly locked in on maintaining a status quo. This is an important context in relation to the case of Arla, since we observe that overall, the firm relies predominantly on intermediated modes of lobbying and in particular when it comes to taking meetings with EU officials.

Our reasoning for including this view as a contextual factor and discarding it as a cause is part theoretical, part methodological, and part empirical. To recap the purpose of this thesis, we seek to understand a firm's choice between a direct and intermediated lobbying mode and uncover the underlying causal mechanisms. In order to do so, we investigate a snapshot, so to speak, of the case in question, asking

ourselves what influences current decision-making rather than choices of the past. Theoretically speaking, our view is that the implications of the behavioral view of the firm is encapsulated by other theoretical causes. Thus, one component of the cause of political capabilities is that past experience with a particular activity increases the firm's information about that activity, in turn reducing the uncertainty related to it. The institutional isomorphic pressures-cause similar encapsulates standard practices through the notion of mimetic isomorphism. Another point is that the behavioral view has little explanatory power when it comes to deviations from standard behaviors. This holds particularly true, if we observe that a firm might consistently consider behavioral deviations.

Our methodological reasons are based on our limited access to the empirical record when it comes to Arla's past practices. Thus, we do not have access to reliable, detailed information about the past. Those currently engaged in lobbying-relevant decision-making at Arla have only been doing so for a relatively limited time. This means that any empirical footprints found in our interviews about the past are ex-post rationalizations by actors not directly involved. Furthermore, as the ultimate purpose of this thesis is to develop a general causal model of lobbying behavior, it might be problematic to introduce a highly case-specific context as a general cause by itself. Accordingly, basing a study of current practices on rationalizations of the past is both empirically and theoretically problematic. Another point relates to how we define direct and intermediated lobbying. In our definition, we have included preparatory and concluding lobbying activities; that is all activities prior to and following the actual act of e.g. meeting public officials. This is an important distinction from a narrower view of lobbying that incorporates only the act itself, since it is only in relation to the act itself that Arla predominantly pursues intermediated lobbying as the standard. We will expand more on this point in the following section.

Our final reasons for including standardized behavior as a contextual factor rather than a cause is based on the empirical material. As noted earlier, we observed that Arla would predominantly choose to engage with EU officials through or in cooperation with intermediaries. This point was mentioned by all of our interviewees, as exemplified here:

*So we do that [bilateral meetings with the Commission], but we do it in a limited number of occasions, whereas with formal sit-down meetings face to face, I would say the majority of meetings are probably with the dairy boards; probably [predominantly] with the Danish Dairy Board*

- George Morrison

This does however not necessarily mean that Arla predominantly takes a passive approach to lobbying, relying mostly on its interest groups. Rather, this should be seen as an expression of the fact that even

though meetings with EU officials are predominantly intermediated, Arla can be more or less active in the process. In other words, although this particular activity is intermediated, it can exhibit different characteristics of direct lobbying. Thus:

*... there will be issues, where we are much more active [...]. It lies in and of itself in the weighting; that is whether we say: "Here, it is Arla at the front and the industry that needs to support us, these opinions, and the way we handle things", while there are other cases, where one could say: "Here, it is more important that it is the sector and industry, who handles it collectively".*

- Kasper Thormod Nielsen

This gives a somewhat more moderate picture of what at first glance resembles a predominance of intermediated lobbying at Arla. As we defined the lobbying modes, what is of academic interest is thus not necessarily the actor that takes a lobbying meeting, but rather the extent to which the firm was active or passive in the process.

It is however important to note that although intermediated lobbying is not by and itself a predisposed outcome, it is the starting point for Arla's considerations of potential lobbying approaches. By this we mean intermediated lobbying is seen as the standard mode of lobbying in Arla's strategic deliberations, thus in a sense defining direct lobbying as a deviation from the routine. We can see this clearly in the following:

*Our intention is to always go broad [collectively], but there can be specific cases, where we have to go alone without having specific guidelines for when we go alone and when we go broad. So we look at it case-wise.*

- Jane Østergaard Norsk

This view reflects that collective action - or intermediated lobbying in our terms - is perceived as a standard approach to lobbying issues, and that direct lobbying is only undertaken under specific circumstances. The statement also introduces another key feature of Arla's lobbying decision-making, namely that decisions are made case-wise. This implies that Arla's internal decision-making is ultimately driven by the particular characteristics of the issue in question. Still, the first assessment that Arla's Public Affairs team perform is whether they can delegate lobbying activities to intermediaries:

*The questions I ask myself and the team are: Is there anyone else that can do this for us? So could the Danish Dairy Board for instance be just as good an advocate for what we are trying to achieve? Do they understand us and understand the issue? So that is one question.*

- George Morrison

Only after considering the options for delegation does the PA team consider the risks and opportunities of direct lobbying and determine which stakeholders need influencing. It is however important to note that George Morrison characterizes Arla's overall approach to lobbying as 'issue driven' in the sense that Arla does not employ a single approach to all of its issues, but rather varies their engagements according to the characteristics of the specific issue in question. This is an important reason for us to include standard behaviors as contextual factors rather than a cause by itself. Standard behaviors are however linked to a series of historical and organizational characteristics of Arla, which we will outline below in order to develop a better understanding of how it functions as a contextual factor.

### **7.1.1 Characteristics of Arla's lobbying**

To understand Arla's current lobbying practices, it is beneficial to build an understanding of how these practices came into being and remained relatively constant over time. When Arla's lobbying activities began, it was simply as one of many small, Danish cooperatives organized in the Danish Dairy Board. Back then, interest representation was concentrated among the Danish Dairy Board, because no one company was large enough or had the resources to do it themselves (F. Nør-Pedersen, Personal Communication, Sep. 28th 2018). As time went by and Danish cooperatives increasingly merged into MD Foods, the company decided to keep national interest representation delegated. With the merger with the Swedish cooperative Arla - and subsequent change of name to Arla Foods - the company also inherited a membership of the Swedish dairy association, Svensk Mjölk. Arla chose to keep lobbying activities delegated for two reasons. First, the company still perceived a value in collective lobbying, and second, it had already invested in its memberships in interest groups (K.T. Nielsen, Personal Communication, Nov. 20th 2018). More recently, as Arla expanded its production and ownership throughout northern Europe, it also gained membership of different local dairy associations such as German MIV and British Dairy UK.

Throughout this expansion, the Danish Dairy Board has however remained as the most utilized interest group for Arla. This is due to not only historical reasons, but also a result of the Europeanization of the company's lobbying activities. In many of Arla's key European interest groups, official membership is restricted to other interest groups. This means that Arla has to utilize national interest groups as staging grounds. For instance, the Danish Dairy Board has the official seats within the European Dairy Association, and the European Dairy Association has the official seats within FoodDrinkEurope. Given that these European interest groups are relevant forums for the dairy sector to influence public policy, Arla needs to use national interest groups as vehicles for access and influence in European interest groups

(G. Morrison, Personal Communication, Oct. 10th 2018). In general, Arla has chosen to employ the Danish Dairy Board in particular as this vehicle.

The Danish Dairy Board is Arla's preferred national interest group for different reasons. For one, the Danish dairy industry is highly concentrated, allowing Arla to have more influence with the Danish interest group:

*In the Danish [dairy association], we generally coordinate very well with these other Danish dairies, and generally we are very much in agreement. This means that our ability to gain influence is greater.*

- Kasper Thormod Nielsen

The reasoning for choosing the Danish interest group instead of the other core market's organizations is similar to how we outlined the issue specificity cause: Few members and high interest homogeneity allows Arla to more easily reach satisfactory national compromises that can be deployed in European interest groups. Another reason for favoring the Danish Dairy Board stems from the nature of Arla's corporate governance:

*As a cooperative, who don't have a lot of resources compared to a pharmaceutical company, [...] we are a farmer-owned co-op, so we have financial limitations in what we can spend. So I am never gonna have a team of 40 lobbyists around the world or even in Brussels pushing for things. So it is very important that we pick the right partners to support us.*

- George Morrison

Thus, Arla's cooperative governance has implications for the amount of resources made available to the public affairs department. This means that Arla needs to compensate for its lack of a local presence and capabilities, which in turns drives the firm towards the Danish Dairy Board that is already established in Brussels (K.T. Nielsen, Personal Communication, Nov. 20th 2018). This should be seen in contrast to Svensk Mjölk, which does not have a local office.

In sum, Arla's decision to utilize intermediated lobbying is the product of historical and organizational motivations. The implication is that intermediated lobbying has emerged as a standard mode of lobbying, which Arla actively maintains by continuous investment and coordination with interest groups, of which the Danish Dairy Board is central:

*Arla has chosen historically to say that interest groups perform a large share of our lobbying. We have invested through our memberships in interest groups such that they can represent our interests, and*



*naturally that requires us to spend time and resources on telling them about our opinions and interests on different issues, so that they know what to do.*

- Kasper Thormod Nielsen

Although Arla utilizes intermediated lobbying as their standard approach, it is however important to stress that this approach is relatively active, with constant coordination and strategic deliberations taking place. This also means that the firm might at any point choose to deviate and engage in more direct modes of lobbying. Since the firm does indeed deviate from time to time, we argue that this standard behavior is in no way deterministic, but rather serves as a key contextual factor in the sense that it is the starting point in decision-making, but by no means the outcome. The point we make here is that it is not necessarily the standard behavior that is theoretically interesting but rather the deviations, which highlight the border between intermediated and direct lobbying. In the following empirical investigation we will therefore endeavor to unpack these deviations and the underlying causal mechanisms.

## **7.2 Empirical investigation**

We will now apply our theorized causes to the case of Arla to determine how they function in practice. This section forms the empirical investigation of the theoretical causes for lobbying behavior proposed in section 6. The purpose of this investigation is to determine whether theorized observations are present in the case and what they mean for the proposed causal mechanisms (Beach & Pedersen, 2018). It is important to reaffirm that we do not possess full access to the empirical record of Arla's lobbying practices. For instance, we do not have access to senior executives at Arla but will in the following rely mostly on interviews with employees serving coordination roles for Arla's European lobbying activities as well as key lobbyists from Arla's most utilized interest groups. It is also important to note that these interviewees are not perfectly knowledgeable about all of Arla's activities. Due to this empirical limitation, it is beneficial to remember that the absence of a theoretically proposed observation does not necessarily mean that a proposed cause or mechanism is also absent.

This section will be structured as follows. First, we will cover each theorized cause and relate it to our empirical material in order to determine how it functions in practice. We will then relate the proposed contextual factors to those presented in the empirical material. Having done this, we will discuss how each particular cause relates empirically to other causes and mechanisms in order to map our causes and group those together that are both theoretically and empirically linked. In this part, we will also discuss whether particular causes should be discarded or downgraded to contextual factors in our final causal model of lobbying behavior.

### 7.2.1 Issue specificity

In our first cause, we proposed that issue specificity will impact a firm's decision on whether to lobby directly or through an intermediate. By issue specificity we refer to the degree to which the interests of a firm is aligned with other members of an interest group. We argued that high issue specificity increases pressures towards direct lobbying, whereas issues with broader interest alignment were expected to increase lobbying through intermediates. Looking at our empirical material, there indeed seems to be a relation between issue specificity and the choice of lobbying mode:

*You go through interest groups when it is something that goes across [the sector] and not Arla specifically [...], because L&F does not lift something for Arla alone. They lift something for the sector, industry, or for the profession. But there are things that are exclusively things that apply to us and our specific business, and we lift these ourselves.*

- Dinna Aamand Hansen

This suggests that there are lobbying issues so specific that they are beyond the scope of what intermediated lobbying groups can carry out for a firm. These constitute what we have theorized as pure direct lobbying with no intermediated involvement. Very specific interests may also lead to less pure forms of direct lobbying, where the firm is simply very active in the process:

*I would say that if we have very specific interests, we would at least get involved and make sure, that we are represented.*

- Kasper Thormod Nielsen

Accordingly, increased issue specificity is here stated as increasing the firm's lobbying activity. This suggests that the firm can still coordinate or delegate some activities to interest groups, even if the issue is highly specific, insofar as the particular mix ensures that Arla's specific interests are satisfied. This lends credence to our proposed definition of lobbying modes across a spectrum.

*With the EDA, they go into the Commission or the Parliament or whoever it is, knowing they have a strong position that has been agreed upon by a large membership and is quite broad, and that has a lot of credibility, when they speak with stakeholders.*

- George Morrison

This statement relates to Arla's preference for intermediated lobbying, where broad coalitions or compromises serves as more credible messages to stakeholders than those generated by individual firms. The size of the lobbying coalitions also relates to our proposed behavioural logic that interest groups are Arla's preferred mode of lobbying, due to the inherent strength a broader coalition commands.

*It is rare that you opt out [of the EDA] unless there are specific national interests. Then you will use the national, but otherwise it will be a both-and-situation.*

- Kasper Thormod Nielsen

Here the concurrent nature of direct and intermediated lobbying are displayed in that they should be perceived as complementary, mutually enforcing modes rather than mutually exclusive. Nevertheless, we observe that in cases of specific interests, Arla can relegate an issue to be intermediated through a national interest groups as the Danish Dairy Board. The unavailability of satisfiable compromises for Arla in a particular interest group does therefore not imply that intermediated lobbying would be abandoned altogether; rather Arla will seek to land satisfiable compromises in other interest groups instead. This once again speaks to our proposition that intermediated lobbying should be seen as a standard mode of lobbying for Arla.

*Sometimes it is important that it is interest organizations that can push ahead to take a stand on it [an issue], and sometimes we also need to go alone, so to speak, and take a position.*

- Kasper Thormod Nielsen

Nevertheless, this preference for intermediated lobbying is anchored in the conditionality for Arla's interests to be reasonably fulfilled in the compromise reached. Failing to do so increases pressures for Arla to take an individual position. However, the utility of having an interest group that can push ahead is not limited to the magnitude of the coalition; interest groups can function as shields for a firm.

### **Contextual factors**

We proposed that both the complexity and salience of an issue might serve as a contextual variable for how issue specificity generates pressures towards particular lobbying modes. In our empirical material, we do however not observe any references to the presence of complexity as a influential context of an alignment of interests. We do however observe that the salience of an issue can affect the propensity to activate interest groups:

*It can be really good to have an interest organization to be sort of a shock absorber if there are controversial issues, where it may be that Arla is used as an example [...]. Then you can bring in an interest organization that can say: "Well that is not an Arla problem, there is a sector behind this". It can be really important that you have that voice to mitigate some of the challenges that can directly affect your brand.*

- Kasper Thormod Nielsen

High public salience is a contextual factor on lobbying issues that fosters increased pressures toward intermediated modes of lobbying. This contextual factor is amplified for firms with high brand recognition, given that they are more likely to incur reputational damage if public salience is high. Since this factor is in our view closely tied to broader social pressures and expectations, we will develop this argument further in our empirical investigation of institutional isomorphic pressures in section 7.5.1.

If we apply the lense of transaction cost economics, we can see some ties between how issue specificity is impacted by agency uncertainty, among others in the following:

*What you tend to have with an interest organization is a position that has to be a compromise between the members. So the position of the European Dairy Association has to reflect their membership's priorities. For Arla, for example, we won't get everything that we want in the EDA position. And that is a different way of working.*

- George Morrison

When working through the EDA, the larger membership base increases the likelihood that more issue specific interests are present. This will make compromises further from Arla's preferred outcome and increases the uncertainty of the lobbying outcomes intermediated by the EDA. In contrast, there are fewer members of the Danish Dairy Board, where Arla is strongly represented. Four out of six DDB board members are designated by Arla (Danish Dairy Board, 2017). Moreover, seven out of fourteen members of Mejeriudvalget, the central coordinating committee for the members of DDB, are designated by Arla (Mejeriforeningen, n.d.). These stakes in DDB arguably decreases the impact of agency uncertainties as a contextual factor. We argue that any performance and agency uncertainties within this case study are marginal. This is most clearly represented by the fact that Arla has delegated most of its lobbying activities to intermediating interest groups, indicating Arla's trust in the interest group with which it partners. Finally, our data gives no indication that complexity should be relevant as a contextual factor to issue specificity.

### **7.2.2 Issue importance**

In our causal examination we argued that issue importance, or the impact an issue might have on a firm, influences the lobbying decision. More specifically, we argued that the higher the perceived importance of an issue, the more resources the firm would put into both direct and intermediated lobbying. We proposed that these additional resources would be skewed towards direct lobbying due to difficulties in the ability to upscale intermediated lobbying. In order for issue importance to have causal influence, we

proposed that the firm would adopt a behavioral logic of ‘fitness’ between allocated resources and the impact of the issue, and that this would be expressed through a firm’s prioritization of issues.

In the case of Arla, issue prioritization is indeed key in how the firm links the importance of issues and way they are addressed. Some issues are not determined important enough to necessitate lobbying (J.Ø. Norsk, Personal Communication, Oct. 10th 2018). Others demand some political activity, and finally Arla also operates with so-called ‘Must-Win Battles’:

*We have these ‘Must-Win Battles’ that are our policy and public affairs priorities, and we are constantly following up and updating them [...]. Some of them are 100 % driven by Arla and others are those we to a larger extent want to have driven by interest groups as L&F or DDB.*

- Dinna Aamand Hansen

In alignment with what we proposed in our causal examination, these important Must-Win Battles are not related directly to any specific lobbying mode, but are simply a reflection of the fact that some issues are deemed more important than others and therefore receive more attention. In order to give this attention, the firm has recently allocated additional resources towards supporting lobbying functions. Much in line with the arguments of resource-dependency theory, this was related to the presence of external challenges:

*I think it reflects that we prioritize [lobbying] and that it is important for the company. I also think the surrounding environment justifies it. It has become more political [...] and more difficult. We have many large challenges within trade, environmental, and climate policy which necessitates that we must be capable of representing our interests.*

- Kasper Thormod Nielsen

Capable, in this sense, does not necessarily mean that Arla is capable of addressing all issues directly, but also that it should have the necessary overview and understanding of issues to be able to address them through intermediaries.

As we theorized in our causal examination, we observe that issue importance is tied to a greater activation of internal resources. For instance, we observe that Arla establishes internal projects when an issue has a large impact on the firm:

*They will typically be established when Arla needs to take a lead on things or has a big corporate interest. Otherwise one can coordinate it in smaller work groups to make sure that our interests are*

*represented through interest groups. But if we have a direct and large stake in an issue, as has been the case with Brexit, then it has been necessary to establish specific projects to handle things.*

- Kasper Thormod Nielsen

Conversely, issues that are perceived to be less important for Arla are coordinated between internal working groups and interest groups. As we proposed earlier, highly important issues are however not related to any specific lobbying mode but leads instead to an increase in both direct and intermediated lobbying activities. This can be seen in the previous example on Arla's Brexit-project:

*We naturally have our own Brexit-taskforce. It is very important for us, so we go alone there. If the Commission calls for a Brexit-meeting, we will be there. No doubt. [...] But we simultaneously make sure that the Danish Dairy Board is also there, because the task is so extensive that all must contribute.*

- Jane Østergaard Norsk

### **Contextual factors and other causes**

In our causal examination we proposed that the degree of control over interest groups and issue specificity influences the strength of the causal influence of issue importance. Here, we argued that both contextual factors would skew increased lobbying activities towards direct lobbying. Whereas we do not see the degree of control specifically mentioned in our interviews, issue specificity is often brought up in close relation to issue importance. One example is seen in the following:

*There is no doubt that we sometimes are more active than others. It depends on the size of [issues], on how much they mean to us, and on whether too little is happening in EDA.*

- Jane Østergaard Norsk

In other examples, issue importance is described as analogous to interest conflicts within interest groups:

*Of course, there can be issues where the pork and the dairy industry lies in conflict, and it can be quite troublesome, and where it is more important to us than to others. Then one must find the right balance, but that is how it is in large interest groups.*

- Kasper Thormod Nielsen

In this view, issue importance is seen as an intrinsic component of issue specificity in the sense that different perceptions of importance can impair agreement within an interest group. Such impairments are however also by themselves described as drivers towards more direct lobbying activity when combined with a high issue importance:

*I would not call it going alone [...] but there will be issues where we are far more active, because it is absolutely critical for us, and there is a need and desire to also hear the opinion directly from Arla. And where one could have the sense that an interest group in some areas can be a bit foot-dragging or not dynamic and quick enough to represent these interests.*

- Kasper Thormod Nielsen

This is quite important in relation to how we theorized the causal mechanism of issue importance to lead to a higher proportion of direct lobbying activities due to difficulties in upscaling intermediated lobbying. The statement also touches upon two other contextual factors for issue importance that we did not theorize in our causal examination. For one, the interviewee also mentions ‘a need and desire’ to hear Arla’s individual opinion, which we would categorize within the cause of institutional demand. The second point is that issue importance and issue specificity here is linked to a deviation from Arla’s standard - intermediated - approach to lobbying. A clearer example of this can be seen in the following:

*As a starting point we always work through interest groups, unless [the issue] is so important that we go alone. Or that it is too cumbersome to go through interest groups.*

- Jane Østergaard Norsk

Although we have focused on issue importance as defined by perceived impact of the firm, it is relevant to note that perceived importance could have other sources than Arla’s managers; namely those relating to the expectations of stakeholders and the company’s owners:

*I think that if there is a sense of urgency in the company and one really has to [show] both our farmers and our consumers that we have an opinion and that we are doing something, then Arla needs to have a voice. Our owners also have the expectation that we have a voice as a company and not only through an interest organization.*

- Kasper Thormod Nielsen

Thus, whereas we earlier noted how institutional demands are linked to issue importance, one could also argue for a link to isomorphic institutional pressures in the form of customer demands for individual political presence. Additionally, the expectations of the firm’s owners were linked to direct lobbying activity through issue importance or a ‘sense of urgency’. This might be further linked to how intermediated lobbying is the traditional or standard approach to lobbying. As we noted earlier, the particular cooperative governance form had a restricting influence in Arla’s propensity to allocate resources towards direct lobbying (George Morrison, Personal Communication, Oct. 9th 2018). If these contexts are indeed linked and relevant, then we might conceive of a more direct link between issue

importance and direct lobbying than proposed in the causal examination. This would also have a derivative effect on the political capabilities cause in the sense that higher issue importance might allow for an increase in the internal lobbying-relevant resource endowment.

### 7.2.3 Differences in political capabilities

In our causal examination, we argued that differences in political capabilities influences the lobbying decision of a firm. What this means is that a firm would consider both the internal endowment of political capabilities and that of relevant interest groups and choose the actor that would be most efficient at securing beneficial policy outcomes. We further proposed that this would manifest itself through strategic decision-making and assessments of both internal and external lobbying performance, and that the firm would therefore have no inherent preference of lobbying mode.

Throughout our empirical material we find evidence for that fact that Arla is indeed concerned with the efficiency of different actors, and that this is part of their choice of lobbying mode. We see this clearly in the following statement about this choice:

*We will go directly, if we think we are the best person to speak or take up a subject, and when we will have the most positive impact on our objective. We will use someone else if we think they are in a better or stronger position or can deliver the result better than we could.*

- George Morrison

It is important to note that the emphasis on efficiency and performance is most pronounced in the statements of Arla's PA manager. Our most reasonable explanation of this is that the team has the primary responsibility of monitoring, coordinating, and evaluating the firm's lobbying activities:

*Then the third bit is valuation. We have worked out what the issues are, we have set up meetings, we have developed a lobbying strategy, but it is really important to understand whether it is working or not and has the effect that we hoped it to have, and what we need to do next.*

- George Morrison

While Arla's PA manager generally expresses himself in relatively general and strategic terms, most of our empirical material relates to specific political capabilities as reasons for engaging in intermediated over direct lobbying. The most emphasized capabilities relates to the political value of collective lobbying, lobbying networks, and a permanent staff in Brussels. First on collective lobbying:

*So we work with [interest groups], and we work with them because a) they represent the industry, and b) we have influence within the organizations, and we know they influence as well.*



- George Morrison

From the resource-based view adopted here, this statement reflects for one that Arla perceives interest groups to have influence; that is the firm has assessed their ability to influence policy or performance in our terms, and that representing an industry is seen as a political resource or capability by itself. This is coupled to the fact that interest group lobbying is seen as more credible in an EU context:

*With the EDA, they go in [...] knowing they have a strong position that has been agreed upon by a large membership and is quite broad, and that has a lot of credibility when they speak with stakeholders. The challenge [...] for Arla is to have that credibility [...].*

- George Morrison

The second point relates to lobbying networks as political resources. In contrary to the unique value of collective lobbying, networks are developed both internally as Arla actively attempts to develop their own networks to public officials and stakeholders (J.Ø. Norsk, 2018 & K.T. Nielsen, 2018), and externally as interest groups do the same. Both of the interest groups representatives we interviewed highlighted their networks as crucial for their ability to lobby in the EU, and therefore one of the main benefits provided to businesses. This can for instance be seen here:

*I do not know all politicians, neither here nor in Brussels, but together with some of my colleagues we know most. These networks need to be open and our businesses need to have access to them. So we accomplish that by being close to Arla [...] so that they think of us when they need to speak with a particular member of parliament or some DG. So they can call someone here who know them or our office in Brussels.*

- Flemming Nør-Pedersen

Accordingly, having an office on location in Brussels was also seen as a political resource. In specific relation to the case, it is important to note here that Arla does indeed not have a local lobbying function in Brussels, and it is therefore seen as a unique capability of interest groups:

*[...] but what is unique for us is that we have our own office, so we are on location in Brussels. And it is quite important for good lobbying that you are there.*

- Flemming Nør-Pedersen

## Contextual factors and other causes

In our causal examination, we highlighted two specific contextual factors relating to the difference in political capabilities-cause. For one, we proposed that performance and agency uncertainties could pressure the firm towards direct lobbying. These uncertainties do however not appear to be present in the case of Arla. We might explain this with the fact that Arla generally assesses both the internal and external lobbying performance, as mentioned above. This might also be related to the fact that Arla generally seeks to develop closely coordinated partnerships with its interest groups, which allows it to generate a lot of information about their activities. One interviewee stated that *'We know which organizations are best at running particular issues'* (J.Ø. Norsk, Personal communication, Oct. 10th), which indicates that Arla does not perceive there to be a high degree of uncertainty about the activities of intermediaries.

The second contextual factor from our causal examination relates to how firms might seek to enhance existing or develop new political capabilities and why. We proposed that this might be the case if issues are frequent or very important to the firm. In our empirical material, we do not observe any references to issue frequency per se. We do however see some linkage between issue importance and a pressure towards increasing internal political capabilities, for instance in the example of Brexit which our interviewees perceived as a critical issue for Arla:

*Brexit has been a good example of where we really had to step up in the UK. We had an intention of doing it, but here we suddenly had a need to step up.[...] Such situations show that we also need to build a network like the one we have built for long in Denmark in our core markets.*

- Kasper Thormod Nielsen

The context of this sudden 'need to step up' relates to the fact that Arla does not possess the internal political capabilities necessary to lobby on all relevant issues directly. We covered this earlier as a separate contextual factor in the section of how and why intermediated lobbying is Arla's standard mode. The implication of this is that unless Arla's management directed extra funds towards internal lobbying functions, as was the case with Brexit, it would be necessary for Arla to delegate the majority of activities to intermediaries. Although Arla has recently expanded its lobbying capabilities, it is worth noting that this was only an incremental step:

*What we had before was a skeleton crew [...]. You were extremely dependent on people delivering across borders and had to be very, very focused. Now with a little extra resources you could say that we have the potential to take the next step and perhaps also become more active.*

- Kasper Thormod Nielsen

The statement does however illustrate that the resource-endowment of the internal lobbying function is related to its capacity to engage in direct lobbying.

Our second proposed behavior under severely imbalanced resource-endowments was that firms would seek to learn from intermediaries through coordination. We do see some references to this learning-argument in the empirical material, for instance in the following:

*I do not believe that one size fits all, but I believe that [...] the more solid our base in the market is, the more you need to be integrated into local networks in order to have partners and people to talk to [...]. Not just because you have to use them for something, but also to just understand and be part of the environment that you are in.*

- Dinna Aamand Hansen

There are only two specific references to using coordination with interest groups as a means of organizational learning in the empirical material. Overall, coordination is instead seen primarily as a way to exercise control over interest groups or achieving synergies between Arla's and interest groups' political capabilities. This last theme was particularly relevant in relation to the Danish Dairy Board:

*They really need to understand what our objectives are, and what the challenges are for the business. And the only way that can be done is by being very open and transparent with them.*

- George Morrison

From Arla's perspective, close coordination or a partnership, as the interviewees puts it, allows it to gain access to unique capabilities of interest groups such as collective credibility and a local presence, as we noted above. The Danish Dairy Board, in turn, gains access to policy-relevant expertise and technical knowledge:

*To be sure, much of [our technical information] comes from our members, and that is also why we have phone meetings with Arla every week in order to go through the agenda and discover whether we have some [information] on that. That is, whether we got something from the market that we can use.*

- Kirsten Holm Svendsen

The specific case of Arla thus illuminates a slightly different mechanism of coordination, in which the firm can utilize a specific configuration of political capabilities taking advantage of the best of both modes. It is however important to note that one of the factors that allows Arla to do this is the relative ease of delegating activities to the Danish Dairy Board in contrast to other national interest groups:

*In relation to the European agenda, much of it has been through the Danish interest group, also because they have a local office. [...] The German industry association also has a office in Brussels, and we have used that a lot, but they have a greater need to coordinate among 130 dairies [...], while it has been easier to do through the Danish interest group.*

- Kasper Thormod Nielsen

This point relates back to the issue specificity cause that we outlined in section 7.2.1. Issue specificity relates to the degree of divergence between a firm's interests and that of other members of an interest group. In the case of the Danish Dairy Board, interests are generally aligned, which is suggested to cause Arla to delegate to them as their standard lobbying mode. From a capabilities perspective, we would argue that this relationship also has the effect that it allows Arla to gain access to political capabilities unique to interest groups. Thus, the more aligned interests are, the more the firm can utilize a specific mix of direct and intermediated lobbying activities that utilize both internal and external political capabilities to maximum effect.

#### **7.2.4 Institutional demand**

Through the lense of access and information literature, we proposed that institutional demand for different access goods has a causal relationship with a firm's choice of lobbying mode. Firms will thus seek to supply the access goods demanded by the EU institutions. We find broad support for the notion of an institutional demand in our empirical material.

*The least useful meeting would be when it is transactional, and we are seen as tullyng up and saying 'This is our point of view, I have written you a ten page brief, take it away and make sure our views are in your proposal amendments'. That is just never going to work at all, so there is no point in thinking like that [...] So at those meetings we are looking for this partnership, this connection that we can help them.*

- George Morrison

This approach is rooted in the notion that the EU encompasses a particular lobbying style built on a constructive exchange of information for access. The act of seeking partnerships with and providing policy-relevant input to public officials is approximate to the how we proposed firms to supply access goods to gain institutional access. This point is made even more explicit below:

*[The Commission, the European Parliament, and the Danish EU Representation] are all happy to get the input because again: You can contribute with many technical things. They are skilled in the Commission, they are, but they do not have unlimited resources. And that means that when they go*

*into the details of something like the dairy area, there are a great many things that we can contribute with.*

- Kirsten Holm Svendsen

This strongly support the supply-demand relationship outlined. Furthermore, it speaks to the reasons for why the institutional demand from the EU institutions to exist, namely the resource constraints of EU policy-makers. In turn, interest groups and firms gain access by supplying expertise with regards to the dairy sector. This is in line with our expected behavioral logic, whereby firms will seek influence by having preferential access to regulators through supplying access goods demanded by the EU institutions. Nevertheless, we expected a divergence in the levels of access of firms and interest groups based on their different abilities to generate access goods i.e. expert knowledge and national/ European encompassing interests respectively. The access depicted above is however primarily based on technical expert knowledge, which through the theorized cause would be expected to be predominantly supplied by large firms rather than interest groups, in this case by the Danish Dairy Board. This discrepancy is arguably dampened by the close cooperation between Arla and this particular interest group; a relationship characterized as a partnership by Arla (George Morrison, Personal Communication, Oct. 9th 2018). Investment, in both a financial and collaborative sense, facilitates stronger capabilities for Arla to transfer expert knowledge to the Danish Dairy Board, allowing the interest group to utilize access goods otherwise theorized as the domain of large firms. Nevertheless, we do see differing degrees of access for firms and interest groups overall in the case:

*There is also a difference whether you come with an Arla business card or you come with an L&F card. Also in relation to where to get access. And they are also aware of that, Arla. That it gives some benefits sometimes to be part of [an interest group] whether it is with the DDB or L&F, or whatever it is.*

- Flemming Nør-Pedersen

The fundamental idea that firms and interest group's enjoy differentiated access to EU institutions seems here to be bolstered. This is in accordance with our expectation that firms will gravitate toward the mode of lobbying best capable of supplying the demanded access good in question. Namely, that some areas of policy are better suited for intermediated lobbying efforts, and vice versa.

*It may be in some agricultural policy areas or other areas where one may have an interest in the fact that it is more interest groups that cover the area.*

- Kasper Thormod Nielsen

The stated preference here for intermediated lobbying on agricultural policy is arguably partly contingent on the greater access enjoyed in European Parliament and the Council by European and national industry groups (Bouwen, 2002), given that they supply the access goods demanded of the two co-legislators of EU policy.

### **Contextual factors and other causes**

We proposed that uncertainty about the type of access good demanded by an EU institution might affect a firm's ability to choose the lobbying mode best capable at supply it. We did not find empirical support for this in the data. On the contrary, great confidence in the assessment on who to employ in which issue were expressed:

*We know well which organizations are best at running which issues.*

- Jane Østergaard Norsk

This suggests that if lobbying is intermediated, Arla knows well which interest group are best at supplying the demanded access good. We might accredit this to the fact that Arla has significant experience with different intermediaries in a European lobbying context. As we noted in section 7.4.2, being a member of interest groups allows the firm to understand both the dynamics of the interest groups and the political environment it operates within. Finally, we found support for the institutional demand cause to correlate with the importance cause, as outlined previously. More specifically, that a need and desire to hear from Arla were present whenever an issue were 'absolutely critical' (Kasper Thormod Nielsen, Personal Communication 20th November 2018). Another relationship we did not propose in the causal examination is with issue specificity, which functions in addition to the issue importance and institutional demand relationship argued above. If Arla has very specific interests on an issue, it is more probable that there is an institutional demand to hear this unique perspective, especially if it has a high impact on Arla i.e. issue importance.

### **7.2.5 Institutional isomorphic pressures**

In our theorization of potential causes we identified institutional isomorphic pressures. By this we refer to the notion that firms are dependent on social acceptance and that they will adjust their behavior in order to be seen as legitimate in the eyes of stakeholders. We argued that being seen as legitimate allows for political access and consequently the potential to influence policies. If firms indeed are concerned with legitimacy, we expected this to also be reflected in how they choose a lobbying mode. It is important to note here that we face some limitations in how well suited our empirical material is to identify the presence of institutional pressures. Since our empirical material is based primarily on interviews, we can

only observe explicit references to norms and expectations and therefore not how they might be internalized or implicit in the way Arla behaves. Nevertheless, if institutional pressures do indeed have some causal power, we would expect to observe it explicitly in relation to decision-making, since this phase usually involves broader strategic considerations, which are more prone to open discussion than e.g. routine tasks.

Having this empirical limitation in mind, we do however observe several allusions to the presence of social norms in how Arla decides its lobbying modes. We also observe that these alluded to norms are characterized as having an underlying presence rather than being an integrated part of the company's strategic considerations:

*I think there is an underlying issue that we always have to consider, which is transparency and honesty.*

*So if we are taking a meeting with an official in Europe bilaterally, because the risks are high for the Commission to be seen, you know, lobbied directly by a very commercial industry.*

- George Morrison

The mentioned 'risk' relates to the notion that EU institutions are also by themselves subject to coercive institutional pressures from broader society, which impacts the type of lobbying mode institutions themselves prefer. At the same time, Arla itself is also subject to broader social pressures, in particular in relation to their direct lobbying activities:

*It has to have some acceptance in society, so as you get larger, you also need to be careful to not be looked at badly.*

- Esben Tranholm Nielsen

The case however also points towards competing pressures; so whereas the above might indicate that direct lobbying from large firms is in some way perceived as illegitimate, the following statement illustrates that consumers simultaneously expects Arla to be politically active:

*So there is a need, and you could say that our consumers also expect Arla to have an opinion, and that you are a company that deals with the larger questions in the world and in society. We also have an interest in doing that, in being an organization with opinions.*

- Kasper Thormod Nielsen

This points towards a quite conflictual presence of coercive institutional pressures in the case. We would argue that coercive institutional pressures are indeed causally relevant and present overall, but that the strengths of these pressures are highly contextual. We base this on the observation that Arla does not

consider social pressures separately or in relation to a overall presence, but rather have incorporated it into their issue-driven decision-making as a potential source of risks, as reflected in the following statement:

*The second question that we ask ourselves: If we do it, what are the pros and cons of it? There will be risks with stepping out, and there will be opportunities as well.*

- George Morrison

The statement also reflects the fact that even though there might be risks with direct lobbying, Arla would still consider it if there are significant opportunities as well. It is however highly likely that the size of both risks and opportunities are highly contextual on the issue, as we have also argued throughout this empirical investigation.

### **Contextual factors and other causes**

In the causal examination we proposed that the instability in institutional pressures over time or environmental uncertainty relating to the preferences and behavior of other might prompt risk-averse behavior in firms. In the empirical material, we do not observe environmental uncertainty as having a particular impact on Arla's behavior. We explain this with the fact that Arla's membership of different interest groups generally allows it access to information about other actors, as also outlined in section 7.4.2. Overall shifts in institutional pressures were mentioned only once in relation to the appointment of a new Commissioner, which was mentioned as having some effect on policy dynamics (E.T. Nielsen, Personal Communication, Sep. 28th 2018). However, since the composition of the European Commission and Parliament only changes every five years, such shifts are relatively far between and predictable. Shifts in issue-specific institutional pressures are however much less predictable.

Given that Arla's political activities deals with a variety of issues such as trade, health and nutrition, animal welfare, and agricultural policy, different social groups or actors might wish to pressure the firm to various degrees depending on the subject area. The salience of issues might therefore affect how strong these pressures are. Accordingly, potentially controversial issues such as nutritional health (F. Nør-Pedersen, Personal Communication, Sep. 28th 2018) and animal welfare (J.Ø. Norsk, personal communication, Oct. 10th, 2018) was mentioned as areas, where Arla could have an interest in shielding the organization by utilizing an interest group:

*Other times, you make yourself vulnerable against extremely politically sensitive topics, where it divides society and is very controversial, and also on those things, where consumers can react directly towards the brand or just stop buying our products. When this risk is there and it is so controversial and*



*sensitive, it is fantastic to have an interest group in front to represent us without having the brand or business as such directly involved.*

- Kasper Thormod Nielsen

Although these situations are described as rare occurrences, interest groups and collective action is here represented as one way of dealing with coercive institutional pressures from Arla's general environment. Naturally, and as we outlined earlier, being able to use interest groups in this way is highly dependent on the issue specificity and thus whether other members of an interest group share that objective.

In section 6.3 we argued that being represented by an interest group brings unique value to lobbying because it is seen as having higher 'credibility' than direct lobbying. Although we did not go into the reasons then, we would argue now that coercive institutional pressures from EU officials is what causes this credibility and unique value. A similar parallel can be drawn to the institutional demand cause investigated in section 6.4, where we argued that information about European or domestic encompassing interests were in demand by EU institutions. We could also think of this demand in terms of an institutional expectation, such that EU institutions give access to interest groups because they expect them to be more credible at providing such information. Conversely, firms are not seen as credible providers of this information, because EU institutions expect them to provide firm-specific expertise or knowledge rather than sectoral. This brings us back to our overall point that institutional isomorphic pressures might be an encompassing cause in the sense that different norms and expectations might underpin a series of the causal mechanisms outlined in our empirical investigation.

### **7.2.6 Agency problems**

In our causal examination we proposed that misalignments between firms and the interest groups lobbying on their behalf. More specifically, we proposed that uncertainty over the efficiency and performance of agents would lead to pressures to lobby directly. We found mixed evidence for an agency problem to be apparent in the data.

*I think what is very important for [...] our lobbying perspective, is that - using the Danish Dairy Board for an example - they really need to understand what our objectives are, and what the challenges are for the business and that sort of stuff. And the only way that can be done is by being very open and transparent with them. And I think with our lobbying work we are very transparent anyway. It is sort of natural for us to sort of share stuff. So it is not difficult to bring the DDB into our, maybe not decision making process, but into our thinking and into our process of developing ideas as well.*

- George Morrison

Firstly, this speaks to the close relationship between the Arla and DDB. However, close coordination is also a strategy to mitigate a firm's uncertainty with regards to efficiency and performance, insofar as it decreases any information asymmetry that may occur through e.g. having more local resources in Bruxelles.

*After all, we have invested through our memberships in interest groups in order to ensure that they take care of our interests, and that of course also requires us to spend time and resources telling them what our opinions and interests are on the different things, so they know what they have to deal with.*

- Kasper Thormod Nielsen

Here it is echoed once more that the investments in DDB necessitates coordination to reign in the interest group and reduce the likely of agency problems to occur. This is also evident in our case through from the perspective of the interest group:

*If I hear the slightest beep that someone thinks something doesn't work or is properly organized, then I become hugely active on those issues because it is our raison d'etre that we have the big ones [large firms] close. We can do without one of the very small companies that throw a small subscription, of course we can. But if we lose one or two of the big ones, then it is our legitimacy that is at stake. So, therefore we are close to [our members] in Denmark as in Brussels. And this is by relationships, relationship building.*

- Flemming Nør Pedersen

Put simply: Arla is one of the largest firms in L&F and in DDB supremely. Ensuring that Arla is satisfied with its performances and services are of paramount importance not only to function economically but for legitimacy purposes. This is essentially a resource dependency which, we argue, highly motivates the interest group to comply with directions set out by Arla. These directions are set in approximately four yearly meetings with Arla directly and through Mejeriudvalget (F. Nør-Pedersen, Personal communication, Sep. 28th 2018; Mejeriforeningen, n.d.). This represents direct influence over the priorities of the interest group's lobby activities. In tandem, these direct and indirect influences over L&F and DDB depict the high influence Arla holds. Building on this notion, we argue that any agency problems are largely reduced or eliminated in the case. As mentioned in section 7.1, this is supported by Arla's primary use of DDB instead of other national trade associations.

We have not found empirical support for agency problems as a cause for determining Arla's mode of lobbying. Nevertheless, we will not reject the cause theoretically since some indications of agency problems have previously been present. Furthermore, Arla's ownership across its core markets and the

market concentration within these allow for venue shopping of interest groups and thereby the ability to mitigate potential agency problems. This is a strategic resource for Arla, yet we do not expect this to apply generally as it is a result of a unique corporate governance and market constellations. Finally, the absence of a theoretically proposed observation does not necessarily mean that a proposed cause or mechanism is also absent. Agency problems are a delicate matter and our data is based on interviews with the principal and agent. Thus, it is not inconceivable that all strata of agency problems were not disclosed. We will therefore categorize agency problems as a contextual factor to issue specificity, given that we cannot outright reject it as having some influence. We will in discussion discuss the limitations of agency problems as applied here and in issue specificity

### **7.3 Summarizing causal relationships**

In the causal examination in section 6, we theorized six potential causes of particular lobbying behavior, as well as described how we expected them to function in practice. Then, in the previous section, we related these theoretical propositions to our empirical material in order to discover how they functioned in practice and in particular how they functioned in relation to each other. In this empirical investigation, we found overall support for five of our proposed causes, namely Issue Specificity, Issue Importance, Differences in Political Capabilities, Institutional Demand, and Institutional Isomorphic Pressures. We did not find support in the case for our proposition that agency uncertainty had any substantive causal influence on lobbying decisions. We argued that this might be due to the specific context of how Arla has significant control over a particular intermediary and generally coordinates with this agent. Since this is a highly case-specific context, we do however not reject the proposition completely; instead we categorize it as a contextual factor that would probably be different across different cases. We further identified a series of relationships between the five substantive causes, which are summarized in table 7.1.

**Table 7.1: Overview of causes and effects**

Causes		Causal Pressures
High issue specificity + high issue importance	=>	Direct lobbying
Isomorphic pressures for direct activity	=>	High issue importance
High issue importance	=>	Increase in internal resources
High internal capabilities	=>	Direct lobbying
High external capabilities	=>	Intermediated lobbying
Actor-specific capabilities + low issue specificity	=>	Coordinated intermediated lobbying + synergies (cooperative)
Institutional demand for collective action	=>	Intermediated lobbying
Institutional demand for expertise + low issue specificity + actor-specific capabilities	=>	Coordinated intermediated lobbying
High issue specificity + high issue importance	=>	Demand for expertise + direct lobbying
Issue specific isomorphic pressures + low issue specificity	=>	Intermediated lobbying
General isomorphic pressures (on the firm)	=>	Direct lobbying
General isomorphic pressures (on public officials)	=>	Demand for collective action
Isomorphic pressure (on the firm)	=>	Actor-specific capability
Institutional demand + Issue specificity + issue importance	=>	Direct lobbying

## 8. Developing a causal model of lobbying behavior

Having outlined how our theorized causes function in the case of Arla's lobbying decisions and in relation to each other, we will now assemble these in a unified causal model of lobbying behavior. We have thus concluded our investigation of the empirical material, returning instead to a more general level of theoretical inquiry. In order to develop our causal model, we will briefly discuss two dimensions of how the different causes affect the lobbying decision. The first dimension concerns the level on which the cause produces its influence. By level we refer to how each particular cause shapes the properties of a particular actor within the lobbying system; being firms, intermediaries, and EU institutions themselves. This dimension is thus one of *who* the cause shapes. The second dimension concerns the timing or sequence of causal mechanisms in relation to the sequence of events in lobbying decision-making outlined in section 4.4. This dimension thus revolves around *when* the causal mechanism is activated. We will cover the leveling dimension now, and return to the sequential dimension briefly.

Although each individual cause was shown to be to some extent interrelated with the others, it is beneficial to consider how they differ or are similar in relation to the level on which they carry causal influence. This will aid us in the development of the final causal model, since it allows us to group closely related causal mechanisms. We argue that these mechanisms can be grouped according to how they shape the properties of particular actors. We thus found that issue importance has an influence on the firm's propensity to utilize internal resources for lobbying relevant activities. Internal resources, in turn allows the firm to utilize its internal political capabilities. Both of these causes shape the properties of the firm in the sense that produce an internal mobilization of resources. In contrast, external political capabilities produce external mobilization in the sense that they constitute the necessary resources for intermediaries to engage in lobbying activities. Similarly, issue specificity shapes the properties of intermediaries by generating the necessary mandates, and therefore also produces external mobilization. Finally, we have the cause of institutional demand, which relates to the properties of EU institutions and therefore operate on a third level. Institutional demand, in combination with general coercive institutional pressures, shapes the preferences of the institutions being lobbied. The coercive pressures referred to here are those pressuring the officials within the EU institutions. Other coercive pressures also impacts different parts of the causal process; this specific type is however the most pronounced, as it is related directly to a causal mechanism in contrast to others, which have an impact on the causes themselves. This grouping of causes according to how they shape the properties of particular actors is a useful one, because it allows us to pin more accurately the sequence of how and where the causes produce mechanisms. An overview can be seen in table 8.1 (Causal levels)

**Table 8.1: Causal levels**

Level of influence	Firm-level	Intermediary level	Institutional level
Causes	Issue importance + Internal capabilities	Issue specificity + External capabilities	Institutional demand + Institutional pressures
Mechanisms produce	Internal mobilization	External mobilization	Preferences of institutions

The second dimension of causes relevant for our causal model relates to the sequence or timing of causal mechanisms. In section 4.4 (sequence of lobbying events) we proposed that the lobbying decision on a particular issue generally involve five distinct events. It is useful to briefly revisit these events, as they can help us understand *when* causal mechanisms becomes active and the sequence of their activation. We will therefore briefly revisit these lobbying events before relating them to our causes. It is important to here that although we describe these events as relatively distinct, they are in fact quite iterative in practice with movements going back and forward rather than linearly. On a conceptual level, they are however quite useful.

The first event concerns how the organization identifies particular political signals or behaviors as potential issues for the company. This is of course a prerequisite for any lobbying activity, since without the presence of a potential issue; there is nothing for the organization to respond to. The second event relates to how an identified issue is prioritized. Since all organizations have some internal resource constraints and therefore rarely can address them all, it needs to have some procedures of prioritization. The third events relates to how the organization formulates a strategy on how the issue should be approached and resolved. In relation to this thesis, this is also the point where the organization decides on a lobbying mode. Strategy formulation leads into the fourth event, which is the engagement in some lobbying activity. In our thesis, we have limited the scope of lobbying activity to only include inside lobbying; that is the attempt to influence policy-makers directly. Such engagements can however utilize various lobbying modes, as we have put forward in this thesis. Lastly, organization evaluate the performance of their lobbying activities, revise strategies where necessary, and decide on whether an issue is resolved or needs further attention.

The lobbying process that we are attempting to model in this thesis relates to the three middle events. We argue that issue identification is not interesting causally, but rather serves as the absolutely necessary condition for lobbying activity to take place. Similarly, lobbying evaluations do not relate directly to the choice of lobbying. As we have noted throughout our causal examination and empirical investigation, it

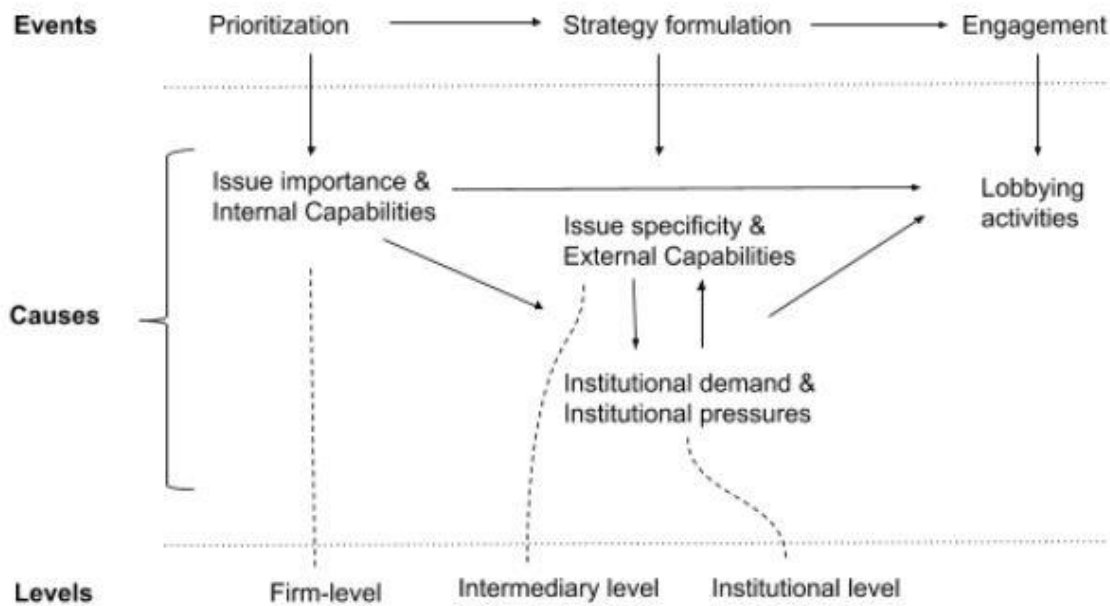
does however have some implications for causal pressures in the long term, because evaluation allows the firm to gain information about the lobbying performance of both the firm and intermediaries. We are however primarily concerned with the last three events of Issue prioritization, strategy formulation, and lobbying engagement. Lobbying engagement is of course an intrinsic part of our causal model, as it corresponds to the outcome under study. We argue that both the issue importance cause and the internal political capabilities cause produce their causal influences within the firm’s prioritization phase. When prioritizing an issue, the firm initially considers the impact that an issue might have on the company. Internal political capabilities relates to this because of the way that the firm considers how the issue can impact the different functional areas of the firm. This consequently leads the firm to generate information about the issue based on their internal expertise. This information gathering procedure activates the mechanisms of both causes. It is however only internal capabilities that are activated at this point. External political capabilities, that is those of intermediaries, are considered and activated in the strategy formulation phase. This is the phase where the firm actually decides on a mode of lobbying. In order to do this, they consider not only the political capabilities of intermediaries, but also the level of agreement within the intermediary on a particular issue i.e. the issue specificity, as well as the preferences of the political institutions sought to lobby, which relates to the institutional demand for access goods and institutional isomorphic pressures. This distinction according to lobbying events is summarized in table 8.2 (Causes and lobbying events).

**Table 8.2: Causes and lobbying events**

Cause:	Issue importance	Internal capabilities	External capabilities	Issue specificity	Institutional demand	Institutional preferences
Related event:	Prioritization	Prioritization	Strategy formulation	Strategy formulation	Strategy formulation	Strategy formulation

The two dimensions based on causal level and sequence allows us to more accurately visualize the relationship between different causes of lobbying decision-making. We have done so in figure 8.1 below. In the figure, we have separated causes into three groups. Issue importance and internal political capabilities relate to internal (firm-level) mobilization and are activated during issue prioritization. These causes carry causal influence on lobbying activities (engagement) both directly and through the strategy formulation phase. By this we mean that these causes are also present in this phase; we do not imply that they are the causes of the other causes. Issue specificity and external political capabilities relate to external (intermediary) mobilization and are activated during the strategy formulation phase. Also present in this

phase are institutional demand and institutional pressures, which operate on the level of political institutions and thus shape their preferences. The arrows between these causes indicate that they are reproduced iteratively and concurrently; thus, there is no sequential distinguishment between external mobilization and institutional preferences. From the strategy formulation phase, the *sum* of all causal pressures and influences are transferred towards lobbying activities through the choice of lobbying mode.

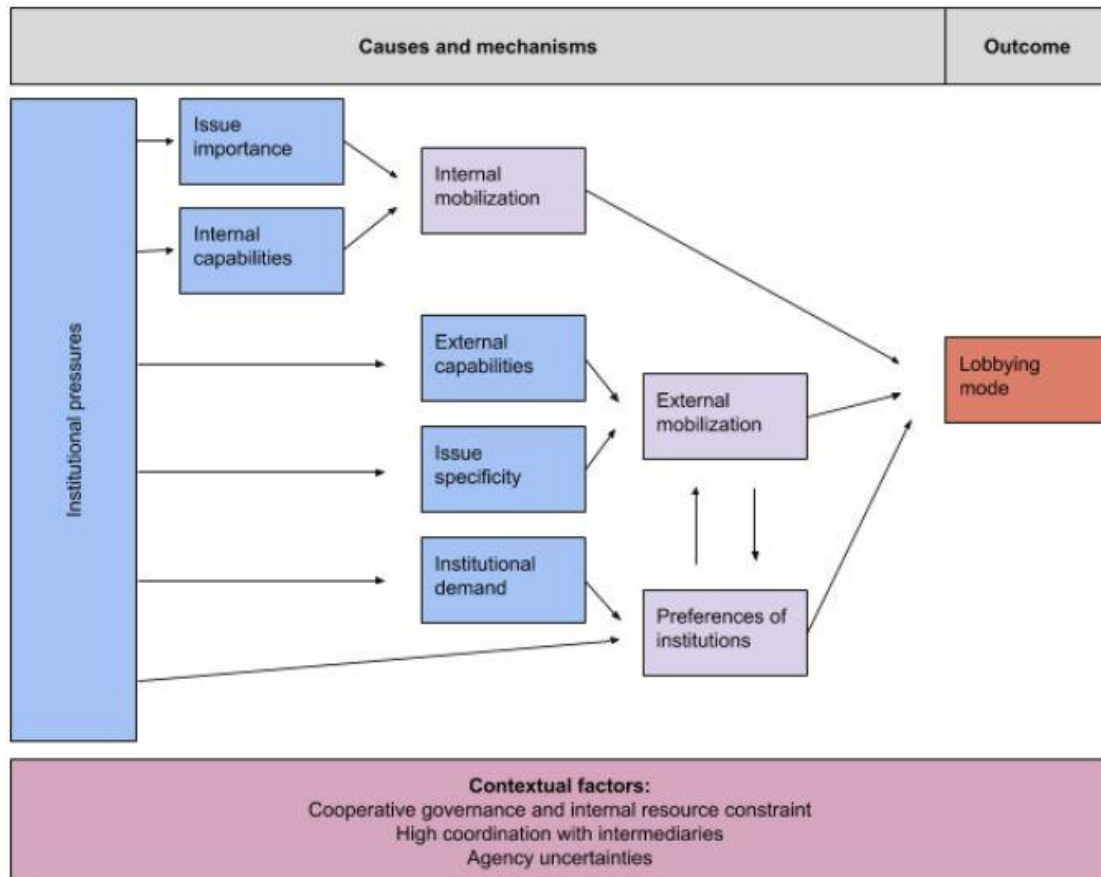


**Figure 8.1: Causal dimensions**

We however still need to incorporate a few missing elements before we have our final causal model of the choice of lobbying mode. Earlier we grouped institutional demand with a specific set of institutional isomorphic pressures stemming from the general environment. We did however not yet incorporate the totality of institutional pressures in figure 8.1. As we argued in the empirical investigation, these pressures are present and carry causal influence not only by itself but also on each particular cause. This element is shown as the left-most column in the presentation of the model below. Secondly, we still need to incorporate the case-specific contextual factors highlighted in our empirical investigation. Although we are now operating on a theoretical level of inquiry, it is important to keep in mind since our model is partly based on case-specific empirical material. While these contextual factors are not by themselves deemed as causes, they do represent the contexts within which our causes operate. Some contextual factors might thus serve as necessary conditions for particular causal mechanisms to be activated. In our empirical investigation we have highlighted three major contextual factors, which are described in general terms in the model. These are: The presence of a cooperative governance form and internal resource constraint, a high degree of coordination with intermediaries in general, and uncertainties about potential



agency problems. In incorporating these missing elements, we have now developed our final causal model of a firm's choice of lobbying mode. The final model presented in figure 8.2 is based on the guidelines for causal frameworks as proposed by Beach and Pedersen (2018).



**Figure 8.2: Causal model of lobbying behavior**

To summarize, we have identified five root causes of lobbying behavior, of which we have divided political capabilities in an internal (firm-level) component and an external (intermediary-level) component. The model illustrates that different institutional isomorphic pressures have an underlying influence on the entire process, including each of the particular causes. Further, it highlights that issue importance and internal capabilities lead to internal mobilization, external political capabilities and issue specificity lead to external mobilization, and that institutional demand and particular institutional pressures lead to particular preferences of political institutions (here in the EU). These three boxes lie at the center of how we theorize firms to decide on a lobbying mode. Since the mechanisms leading to internal mobilization generally lie prior to the other mechanisms, this is illustrated in the model. Further, we propose that external mobilization and the preferences of institutions are highly linked to each other in firms' decision-making process, whereas internal mobilization carries its causal influence more directly towards the choice of lobbying mode. Our final argument is that the relative strength of each particular

cause will determine where the firm chooses to position itself on our conceptual spectrum of lobbying modes. This spectrum ranges from a purely direct mode to a purely intermediated mode, with each cause producing pressures in a particular direction. The most probable outcome therefore lies somewhere between the extremes and is high dependent on the particular issue that the firm is attempting to resolve through lobbying. For a full representation of all the causal mechanisms at play, we refer to section 7.

## **9. Discussion**

Throughout this thesis we sought to develop a causal model of a firm's decision on its lobbying mode. In order to do so, we applied a qualitative research design based around the logic of deduction, moving from general theories related to lobbying to the development of theoretical causal propositions to an empirical investigation of our propositions and finally into the causal model introduced in the previous section. We will now discuss our findings in relation to the limitations of our research design, methodology, and data collection, as well as discuss the generalizability of our findings in relation to the case under study. Finally, we will discuss the managerial implications for Arla.

### **9.1 Research limitations**

In order to discover how firms select their mode of lobbying within the European Union, we have relied on a qualitative research design built on a deductive research structure. We thus began our research on the theoretical level by reviewing the most substantial areas of the literature that might have shed light on the choice of lobbying mode. We grouped this literature in nine relatively distinct theoretical lenses based on their assumptions and scopes. From these lenses we developed six distinct theoretical propositions about the specific causes of lobbying mode decision-making. Note here that this in some cases involved reformulating some of the theories operating on a macro or meso-level to the micro-level, which is the scope of our thesis. Following this causal examination, we worked into a more specific level of abstraction by comparing the proposed causes to the empirical material collected throughout the project. Finally we used this empirical investigation to develop our causal model of lobbying behavior. Much in line with deductive reasoning, our research project thus moved from the general and abstract to the increasingly specific.

Although this movement is described strictly linearly in this thesis, it is important to note that the process was less linear in practice, and our inferences thus rely more on an abductive research approach rather than pure deduction. Parts of the data collection thus took place concurrently with our review of the literature, and the final coding of our data was undertaken concurrently with our causal examination. This fact could potentially have introduced some bias in how we have developed our theoretical propositions, as we might have subconsciously adjusted or redefined our propositions in relation the case rather than strictly on the theoretical lenses. We have attempted to be conscious about this fact and limit potential biases where possible, for instance by constantly referring back to the theoretical lenses in order to ensure congruence between these and the theoretical propositions.

Another limitation relates to the empirical material itself. In our case study of Arla, we have sought to rely upon primary sources of information as much as possible. Our interviewees have therefore been carefully selected as representative of the range of Arla's political activities. Since interviewees are concerned with different parts of the organization, they have different degrees of information about the specific activities taking place in each part. What this means is that one interviewee might be a secondary source on the activities of another interviewee. Indeed, we have observed a few minor factual discrepancies in the interviews. We have attempted to mitigate the significance of these discrepancies by putting more weight on the observations of the primary source over the secondary source. In doing so, we are attempting to simultaneously triangulate our data between different sources and accredit these observations different weights according to each interviewee's access to the relevant information. A further limitation in this respect is that we did not have access to any senior executives in our data collection. This naturally means that we have less reliable information about their activities than those of our interviewees. However, since our interviewees have some coordinating roles also in relation to the political activities or senior executives, we argue that this limitation is relatively permissible, in particular since high-level lobbying usually takes place at the very early policy-process and the bulk of political activities take place on other organization levels (Coen, 2007, p. 160). Further, our availability of triangulable data from our interview subjects allows us to mitigate this potential empirical blind spot. It is also important to note that when we refer to our personal observations in the empirical investigation, we refer to what we observe in the statements of our interviewees rather than our independent observations of lobbying behavior in practice.

Another point relating to our access to the empirical record relates to how well our data collection strategy fits to the empirical fingerprints proposed in our causal examination. For the most part, the interview method is a suitable way of capturing data about our proposed empirical fingerprints. In the case of the institutional isomorphic pressures cause, it is however important to note that our ability to observe such pressures in practice is highly limited. We have also noted this throughout our thesis, but it is important to reaffirm that social institutions understood as norms and expectations are extremely difficult to observe in reality. Through the interview method we can observe only references to what might be perceived as institutional pressures, but only insofar as the interviewee considers it explicitly. However, as the bulk of social institutions functions on a tacit or implicit level, we cannot with ease observe these through the interview method.

A similar problem (but for very different reasons) occur in how suitable the interview method is for generating information about agency problems. In contrast to social institutions, agency problems can be

observed explicitly. The problem here is however not whether but how we observe it. Since our empirical material stems from interviews, we as researchers are dependent on our interview subjects to be truthful and open in their answers. Although we have no reasons to suspect otherwise, it is however important to reflect on the fact that the sensitive nature of an agency problem might influence the answers interviewees are willing to give. This is particularly the case for a study like ours, since the interview subjects represent the principal (Arla) and agents (interest groups), respectively. They could thus have an interest in not publicizing the presence of potential issues. Looking back at our empirical investigation, we therefore cannot be absolutely certain that there are no agency problems present in the case of Arla; it might as well be that we simply have limited access to the empirical record.

## **9.2 Limitations of the case study method**

We conducted an intensive case study in order to test for the causal robustness of our theoretical propositions and adjust them according to the empirical material. This approach naturally falls into one of the central discussions of using the case study as a research method, namely that of generalizability versus the robustness of causal explanations produced. As we noted earlier, the ultimate goal of the case study is to develop an understanding of a population of cases by intensively studying a single case (Gerring, 2012, p. 411). However, since the causal explanations produced from a single case are highly dependent on specific contexts, it is always relevant to discuss whether the case of Arla is truly representative of the population of politically active firms in the European Union. In general, the generalizability of intensive case studies are low (Sayer, 2000). It is however important to note that the specific way that we have utilized the case study in this thesis is not as a way of generating theory from the empirical material, but rather primarily as a way to test theory in a real world setting. Thus, whereas we can discuss the generalizability of the case of Arla, it is relevant to remember that the theoretical propositions developed in this thesis is drawn heavily from established fields of research that has received considerable scholarly review over the years. This does of course not imply that our theoretical propositions are necessarily robust by themselves, but rather that the final causal model developed in this thesis has a significant base in existing research. Nevertheless, it is relevant to discuss the specific contextual factors at play in our case in order to assess the generalizability of our causal model.

## **9.3 Generalizability**

A central feature of our case is that intermediated lobbying functions as the standard mode. This permeates the causal model as a contextual factor through high coordination with interest groups, cooperative governance and internal resource constraints. Contextual factors are case specific as they are

derived from the empirical data. This raises questions of generalizability; is it reasonable to expect this same dynamic to be present generally in other cases? Though it is unlikely that other firms will have the same record for utilizing intermediating lobbying as Arla, we hold historic reasons exogenous here as any contentions would only amount to speculation without a concrete case. Another bias toward intermediated lobbying is Arla's cooperative governance model which constrains the resources made internally available for lobbying activities. Given the relative rarity of the cooperative governance model, we partly expect the resource constraint to be a case specific factor. Nevertheless, all firms are exposed to some degree of resource constraint and lobbying activities are for most firms not a primary business function but a support function. Thus, we expect the constraint on internal resources to be only partly unique to this case. We predict that firms with high resource dependencies to their external environment are more likely to perceive lobbying as a primary business function and by implication less likely to suffer from internal resource constraints.

In our intensive case study we additionally argued that Arla utilized intermediated lobbying as the standard mode for reasons of market concentration. As previously noted, by being present in four core markets Arla is able to strategize which market's interest group is best able to represent their view and function as a point of entry into EDA. This ability to venueshop based on preferential market concentration is largely ascribed to the cooperative governance model. This is only reasonably applicable for very large firms with activities in multiple countries and other cooperates. Even so, cooperatives arguably enjoy more legitimacy than institutional investors from policy-makers in a given country. This increased legitimacy derive from the notion that a cooperative is constituted by citizens. Thus, we expect this is to be case specific and that other firms would have relatively less incentives for intermediated lobbying.

Another important factor to consider with regards to generalizability is the industry that a firm is situated in. The pharmaceutical industry typically tops lists of the industries that spends the most resources on influencing legislation, regulation and the enforcement of government decision. Here we would expect intermediated lobbying to be less prevalent for a firm, due to the high issue specificity. In other words, the business model of the pharmaceutical industry is to gain patents and exclude competitors from their market shares. Thus, we would expect interest groups to be relatively less capable at landing satisfiable policy compromises, prompting more direct lobbying. Generally, we would expect firms in industries with distributional zero-sum games to have their lobbying activities skewed relatively more towards direct modes of lobbying.

We excluded agency problems as a cause for determining lobbying mode in the final causal model because no strong empirical footprints were found in the data. It is important to note that we did so on an empirical and not a theoretical ground. We expect that it is possible and probable that agency problems will have a causal influence on the choice of lobbying mode more generally. Especially if the firm exhibits low degrees of control over the interest group. In such cases, we expect the pressures for direct lobbying to increase. The theory on structural power were not included in the causal examination and model although it was included our literature review. The macro based theory proved difficult to operationalize in our causal model. However, we acknowledge that the lense could be a contextual factor or prove causal in other lobby cases, especially in the financial sector. Structural power denotes a causal influence operating in the mind of the institutional actors rather than the firm's managers. Thus, it falls outside of the scope of this thesis, given that our empirical data is limited to a firm and an interest group. Nevertheless, we recognize that structural power may in some cases be relevant. Equally, our bundling of economic theories were not included in the final causal model. The notion of a market-like process were somewhat included through the access and information literature perspective on supply and demand. Nevertheless, the economic theory were somewhat reductionist and struggled to specify the complexity of organizational behavior.

#### 9.4 Scale of political contexts

The causal model developed in this thesis was constructed for a regional European Union context. The following section will briefly expand the political context to a global scale and reflect upon utilization and limitations for the causal model.

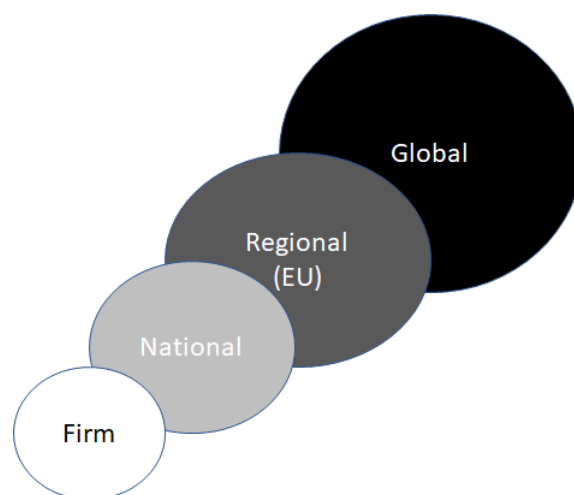


Figure 9.1: Scale of political contexts

The global political context is constituted by fragmented political systems, and thus, expanding from a regional to global scale entail no shift to a global supranational institution but instead an adaption to a new regional political context i.e. a political system and its institutional settings. Global presence also increases the number of actors that can debilitate the political influence of the firm, which would likely have some effect on issue specificity. For instance, a global firm's entrance might clash with incumbent, domestic interests, making intermediated lobby activities cumbersome. On similar lines, entrance to a new political context would likely require the firm to develop internal political capabilities tailored to that context.

The most significant change in our causal model would however be the institutional pressures and demands. The US is arguably the most analogous regional entity to the EU, why it serves as a suitable point of departure. As depicted in the chapter on US lobbying, the Washington style of lobbying is more confrontational and it creates absolute winners and losers. This is exemplified by the use of litigation in the US as a lobbying activity, clearly discrepant to the long-term and trust based European norms. Furthermore, the US policy-makers are not faced by the same degree of resource constraints as EU public officials, allowing them to inhouse more expertise and rely less on expert knowledge from large firms. However, US members of Congress are elected for a period of two and six years, for the House of Representatives and the Senate respectively. This arguably creates a near constant electoral cycle for the members of the House of Representatives, which in tandem with more liberal laws on campaign contributions creates an institutional demand for fundraising and Political Action Committees (PAC's). This is a discrepancy with the EU demand for expert knowledge and national-European encompassing interests, where campaign contributions are largely absent. It would be necessary to adapt the causal mechanisms of the institutional pressures and demand causes to reflect these disparities.

Pivoting to increasingly exotic markets will introduce novel uncertainties specific to the respective political system and institutional settings. No common denominator can be proposed for emerging markets besides the fact that policy processes tend to be less structured and institutions more unstable. Nevertheless, the existence of nepotism and corruption may altogether disrupt our proposed causal model, although they could be categorized simply as institutional demands as part of the cost of doing business. Another uncertainty is if a market is developed enough to have produced an interest group that constitutes a viable option for intermediated lobbying. We argue that this will produce more direct lobbying activities. More generally, the more solid a foothold in a market, the more you need to be integrated into local networks to understand and be part of the environment (D.A. Hansen, Personal Communication, Oct. 26th 2018). This suggests that as market penetration increase, the need for local



embedded through networks and partnerships increase i.e. increasing pressures for intermediated lobbying.

## **9.5 Avenues for future studies**

The purpose of this thesis was to develop a causal model of lobbying behavior, which could explain why firms choose to engage in a particular mode of lobbying over another. We proposed five root causes, which would influence the ability to mobilize internally, mobilize externally, and shape the preferences of the institutions being lobbied. We further highlighted the causal mechanisms underlying these causal relationships, arguing at last that the relative weight of each cause would determine how the firm would position itself on the spectrum of lobbying modes. The particular research methodology employed in this thesis did however not allow us to specify how these weights would be determined. It is therefore beneficial to suggest areas for further research that could reveal these weights and other shortcomings of the model. The empirical material investigated in this thesis revolved around our interview subjects' observations of Arla's general lobbying practices. This means that their characterizations of their practices did not differentiate in how different issues are treated. One potential avenue for further research would therefore be to be more specific and investigate how each of the causes are represented in each specific issue rather than in general. This might for instance reveal whether one cause would produce stronger pressures than others. Such an approach would however require the researcher to have access to more sensitive information and to study the firm over a longer period of time.

Another avenue for further research relates to the overall validity of our causal model. As already noted, one of the main benefits of an intensive, qualitative research design as the one employed in thesis is that it allows the researcher to identify strong causal relationships within a case. As pointed out above, the main drawback is generalizability. Since part of our thesis is based on a specific case, it would be relevant to replicate our research design in other cases in order to test for the presence of our causes in the broader population of firms in the European Union. One might also take a quantitative approach by taking a starting point in the general population and testing for the presence of causes. Since our thesis found the presence of contextual factors as important, this might be a suitable way of testing the validity of the theorized causes with the presence of various specific contextual factors. A further potential avenue of research would be to test the validity of the model in other settings than the European Union. As we have already covered, an influential feature of the EU is a very structured policy processes. It might therefore be relevant to investigate cases where policy processes are different but still relatively structured in order to identify potential similarities or differences in lobbying outcomes. In this respect, the US comes to mind as a potentially interesting setting.

## 9.6 Managerial implications

As a multinational cooperative, Arla have opted for a largely intermediated lobbying constellation through their investment and close coordination with interest groups. This is in alignment with the external environments' Europeanization of interest groups. The setup offers many benefits with regards to coalition building, legitimacy, and access to EU institutions, as outlined throughout this thesis. The setup is particularly well versed to govern the structuralized public policy process in the EU. However, the organizational setup is not without its trade-offs; it might be less suitable in cases of external shocks in the political environment. Resource constraints on internal lobbying resources makes internal mobilization to political developments with high firm impact and issue specificity more cumbersome. The United Kingdom's vote to leave the European Union arguably presented such an extraordinary situation for Arla. The issue of Brexit illustrates that the capacity to mobilize internally is still imperative due to the high importance and the specificity of the issue. Generally speaking, a strong dependency on an intermediated lobbying setup will hamstring the capacity to mobilize internally. Therefore, there is an organizational need to have some capacity to adjust internal capabilities to address external shocks.

With intermediated lobbying as the standard mode of lobbying, Arla's organization setup is optimized for a regional EU scale of operation. However, as Arla becomes a transnational corporation and the current 63-17 percent revenue split between its European and international markets converge (Arla Annual Report 2017, p. 68-69), pressures on its current organizational lobbying setup will increase. More explicitly, operating on a global scale makes intermediated lobbying increasingly complex due to the fragmentation of the global markets and the challenge of building local partnerships tailored to each market. The latter is exacerbated by notion that international markets may not be developed enough to offer any satisfiable interest groups as partners. Thus, we expect increasing pressures for Arla to invest more in its global direct lobbying capabilities and/or activate current interest groups on a global scale through partnerships in key markets. It is worth mentioning here that Arla created a dedicated global public affairs headquarter function in the organizational restructure described previously.

Our findings contribute to the gap in the literature on lobbying in the interplay of firms and interest groups. The findings of our project is also relevant to firms conducting lobbying activities in the European Union. Firms with contextual conditions vastly different to Arla's may find value in following our approach and applying the lenses and our methodological framework to scrutinize and strategize lobbying activities in their own context.

## 10. Conclusion

The purpose of this thesis was to perform a comprehensive analysis of a firm’s decision-making in order to understand the choice between a direct and an intermediated mode of lobbying. Aiding this pursuit, we defined lobbying activities as a spectrum ranging from pure direct lobbying, coordinated lobbying to pure intermediated lobbying. This led us to the research question: *How do firms select their mode of lobbying within the European Union?* We pursued an answer for this question through a critical realist philosophy of science, where the purpose was to identify the causal relationships underlying the choice of lobbying mode. In doing so, we applied abductive analysis with a starting point in relevant theory on lobbying; In section 5 we conducted an extensive review of the extant literature on lobbying within the research disciplines Strategic Management, Organizational Theory, Political Science, International Political Economy, Economics, and European Studies. The goal was to develop a set of distinct theoretical lenses through which one can view firm’s lobbying activities. In our review, we identified the following nine theoretical lenses:

**Table 10.1: Overview of nine theoretical lenses**

The Resource-based View of the Firm	Strategic Management	Transaction Cost Theory
Institutional Theory	Interest Group Studies	Resource Dependency Theory
Access and Information Literature	Economic Theories on Lobbying	International Political Economy

In section 6 we refined these nine lenses to develop specific causes for why a firm might choose to engage in either lobbying mode. Since the lenses introduced in the earlier section covered broader theories of firm behavior, this meant that we theorized how they specifically related to our research topic. In doing so, we identified six distinct potential causes for the choice of lobbying mode:

- Issue specificity,
- Issue importance,
- Differences in Political Capabilities,
- Institutional Demand,
- Institutional Isomorphic Pressures, and
- Agency problems.

Following each proposed cause we presented our theoretical expectations for the type of firm behavior that each cause would produce; these constitute what we term our theoretical propositions. Propositions were based on theorized behavioral logics, causal mechanisms, and potential contextual or moderating factors. Since we operated strictly on a theoretical level in this section, we dealt with each potential cause in isolation.

In section 7 we embarked to test these theoretical propositions in a real world setting through a detailed case study of the dairy cooperative Arla. We began with a discussion of a specific peculiarity in the case, namely that the firm would predominantly rely on intermediated lobbying. Since we however also observed that they would at times deviate from this, we approached our empirical investigation of the theoretical propositions by focusing on the causes for these deviations. In order to test these propositions, we analyzed a series of semi-structured interviews to ascertain whether our causes and theoretical propositions were present in the case, and if so how they functioned in the case. This led to more nuanced causal explanations as we observed than the proposed causes were highly interlinked. In this empirical investigation we found evidence for the presence of Issue Specificity, Issue Importance, Differences in Political Capabilities, Institutional Demand, and Institutional Isomorphic Pressures as causes of lobbying behavior. We did not observe the presence of potential Agency Problems, but instead incorporated this lens as a contextual factor. Other case-specific contextual factors included the cooperative governance model, an internal constraint on lobbying resources, and a high level of coordination with intermediaries. The empirical investigation further showed that it would be beneficial to divide the differences in political capabilities-cause into two sub-causes; one relating to the unique resources of the firm (internal capabilities), and one relating to the unique resources of intermediaries (external capabilities).

In section 8 we brought the level of inquiry back to a theoretical level by aggregating our theoretical and empirical findings into a causal model of lobbying behavior. In order to build this model, we argued that there is both a temporal and a leveling dimension of firms' lobbying behavior. Temporally, we proposed that issue importance and the firm's internal capabilities would exert their causal influence prior to the causes of external capabilities, issue specificity, and institutional demand, and that institutional isomorphic pressures would be present through the lobbying sequence. In relation to leveling, we proposed that the causes would exert their influence by shaping the properties of particular lobbying actors. Issue importance and internal capabilities thus shape the firm's ability to mobilize (internally). External capabilities and issue specificity shape the intermediary's ability to mobilize (externally). Finally, Institutional demand and Institutional pressures would shape the preferences of the political institutions

being targeted for lobbying efforts. In incorporating these causal dimensions as well as the observed contextual factors, we presented a causal model of the choice of lobbying mode, and argued that the relative weight of each individual cause would determine the chosen lobbying mode. Our study did however not allow us to determine the specific weights of each cause, among other things because these weights are highly specific to the individual issue in question.

In section 9 we discussed our findings as well as a series of empirical and methodological limitations to the study. Of particular relevance here was the use of the case study method, which has a clear tradeoff between generalizability and causal explanatory power. It is however important to note here that the majority of our causal model builds on academic literature rather than on the empirical material. Nevertheless, as our model is informed by a single-firm case study, we argued that we would not expect the model to hold true for all firms. As noted, contextual factors had a significant influence on the case. We would therefore expect the model to be more generalizable to firms with similar contexts and less so for firms within widely different contexts. Equally, we would expect higher generalizability for the model in a European Union context; but expect the model to be less valid in other political settings, and in particular if the setting does not feature a formal, structured policy process.

## 11. Bibliography

- Ainsworth, S. (1993). Regulating lobbyists and interest group influence. *The Journal of Politics*, Vol. 55(1), pp. 41-56.
- Alt, J.E., Carlsen, F., Heum, P. & Johansen, K. (1999). Asset specificity and the political behavior of firms: Lobbying for subsidies in Norway. *International Organization*, Vol. 53(1), pp. 99-116.
- Arla (2007). *Annual Report 2007*. Retrieved from [https://www.arla.com/49f589/globalassets/arla-global/company---overview/investor/pdf/annual-report/eng/annual-report\\_eng\\_2007.pdf](https://www.arla.com/49f589/globalassets/arla-global/company---overview/investor/pdf/annual-report/eng/annual-report_eng_2007.pdf)
- Arla (2017). *CONSOLIDATED Annual Report 2017: Driving innovation in dairy*. Retrieved from <http://docs.arla.com/annual-report/2017/EN/?page=1>
- Arla (n.d.). *Strategy 2020*. Retrieved from <https://www.arla.com/company/strategy/strategy-2020/for-our-farmer-owners/>
- Baron, D.P. (1995). Integrated strategy: Market and nonmarket components. *California Management Review*, Vol. 37(2), pp. 47-65.
- Baron, D.P. (1997). Integrated Strategy, Trade Policy, and Global Competition. *California Management Review*, Vol 39(2), pp. 145-169.
- Baron, D.P. (2010). Chapter 2: Integrated strategy. In *Business and its environment*, sixth edition, pp. 33-53. Upper Saddle River, NJ: Pearson Prentice-Hall.
- Baumgartner, F.R. & Leech B.L. (2001). Interest niches and policy bandwagons: Patterns of interest group involvement in national politics. *The Journal of Politics*, Vol. 63(4), pp. 1191-1213.
- Beach, D. & Pedersen, R.B. (2018). *Process-tracing – foundations and guidelines*. 2nd Edition. Ann Arbor: University of Michigan Press. Pending publication.
- Bennett, R.J. (1999). Business routes of influence in Brussels: Exploring the choice of direct representation. *Political Studies*, Vol. 47, pp. 240-257.
- Bernhagen, P. & Mitchell, N.J. (2009). The determinants of direct corporate lobbying in the European Union. *European Union Politics*, Vol. 10(2), pp. 155-176.

- Beyers, J. (2002). Gaining and seeking access: The European adaptation of domestic interest associations. *European Journal of Political Research*, Vol. 41, pp. 585-612.
- Beyers, J. (2004). Voice and access: Political practices of European interest associations. *European Union Politics*, Vol 5(2), pp. 211-240.
- Bievre, D.D., Poletti, A., Hanegraaf, M. & Beyers, J. (2016). International institutions and interest mobilization: The WTO and lobbying in EU and US trade policy. *Journal of World Trade*, Vol. 50(2), pp. 289-312.
- Bijman, J., Hanisch, M. & Sangen, G.V.D. (2014). Shifting Control? The Changes of Internal Governance in Agricultural Cooperatives in the EU. *Annals of Public and Cooperative Economics*, Vol.85(4), pp. 641-661.
- Binderkrantz, A.S. & Rasmussen, A. (2015). Comparing the domestic and the EU lobbying context: perceived agenda-setting influence in the multi-level system of the European Union. *Journal of European Public Policy*, Vol. 22(4), pp. 552-569.
- Bombardini, N. & Trebbi, F. (2009a). Competition and political organization: Together or alone in lobbying for trade policy? *NBER Working Paper No. 14771*. 34 pages.
- Bombardini, N. & Trebbi, F. (2009b). Competition and political organization: Together or alone in lobbying for trade policy? *Journal of International Economics*, Vol. 87, pp. 18-26.
- Bonardi, J.P. & Keim, G.D. (2005). Corporate political strategies for widely salient issues. *The Academy of Management Review*, Vol. 30(3), pp. 555-576.
- Bonardi, J.P., Hillman, A.J. & Keim, G.D. (2005). The attractiveness of political markets: implications for firm strategy. *The Academy of Management Review*, Vol. 30(2), pp. 397-413.
- Bouwen, P. (2002). Corporate lobbying in the European union: the logic of access. *Journal of European Public Policy*, Vol. 9(3), pp. 365-390.
- Bouwen, P. & McCown, M. (2007). Lobbying versus litigation: Political and legal strategies of interest representation in the European Union. *Journal of European Public Policy*, Vol. 14(3), pp. 422-443.
- Chalmers, A.W. (2013). Trading information for access: informational lobbying strategies and interest group access to the European Union. *Journal of European Public Policy*, Vol. 20(1), pp. 39-58.

- Chalmers, A.W. (2018). Unity and conflict: Explaining financial industry lobbying success in European Union public consultations. *Regulation & Governance*, Vol. 12(4), pp. 1-18.
- Coen, D. (2004) 'Environmental and business lobbying alliances in Europe: learning from Washington?', in D. Levy and P. Newell (eds), *Business in International Environmental Governance: A Political Economy Approach*, Cambridge, MA: MIT Press, pp. 197–220.
- Coen, D. (2007). Empirical and theoretical studies in EU lobbying. *Journal of European Public Policy*, Vol. 14(3), pp. 333-345.
- Coen, D. (2009). Business Lobbying in the European Union. In D. Coen & J. Richardson (Eds.) *Lobbying the European Union: Institutions, actors, and issues*. First edition, pp. 145-168. Oxford: Oxford University Press.
- Contandriopoulos, D., Lemire, M, Denis, J.L. & Tremblay, É. (2010). Knowledge exchange processes in organizations and policy arenas: A narrative systematic review of the literature. *The Milbank Quarterly*, Vol. 88(4), pp. 444-483.
- Cooper, H., Hervey, G., Bauvir, E. & Antypas, I. (2017), December 12th. Big East-West skew in record EU lobbying bonanza. *Politico.eu*. Retrieved from <https://www.politico.eu/article/transparency-register-analysis-lobbying-east-west-skew-european-union/>
- Culpepper, P.D. (2015). Structural power and political science in the post-crisis era. *Business & Politics*, Vol. 17(3), pp. 391-409.
- Culpepper, P.D. & Reinke, R. (2014). Structural power and bank bailouts in the United Kingdom and the United States. *Politics & Society*, Vol. 42(4), pp. 427-454.
- Creswell, J.W. (2014). *Research Design: Qualitative, Quantitative, & Mixed Methods Approaches*. Fourth edition. SAGE Publications, Inc.: Thousand Oaks.
- Dahan, N. (2005). Can there be a Resource-based view of politics? *International Studies of Management & Organization*, Vol. 35(2), pp. 8-27.
- DiMaggio, P.J. & Powell, W.W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, Vol. 48(2), pp. 147-160.



- Drutman, L. (2010). *The business of America is lobbying: Explaining the growth of corporate political activity in Washington D.C.* Retrieved from [https://techliberation.com/wp-content/uploads/2012/12/business\\_of\\_america\\_is\\_lobbying.pdf](https://techliberation.com/wp-content/uploads/2012/12/business_of_america_is_lobbying.pdf)
- Durach, C. F., Kembro, J., & Wieland, A. (2017). A New Paradigm for Systematic Literature Reviews in Supply Chain Management. *Journal of Supply Chain Management*, Vol. 53(4), pp. 67–85.
- Dutton, J.E. & Ottensmeyer (1987). Strategic issue management systems: Forms, functions, and contexts. *Academy of Management Review*, Vol. 12(2), pp. 355-365.
- Dür, A. (2008). Measuring Interest Group Influence in the EU. *European Union Politics*, Vol. 9(4), pp. 559-576.
- Dür, A. & Mateo, G. (2012). Who lobbies the European Union? National interest groups in a multilevel polity. *Journal of European Public Policy*, Vol. 19(7), pp. 969-987.
- Dür, A. & Mateo, G. (2013). Gaining access or going public? Interest group strategies in five European countries. *European Journal of Political Research*, Vol. 52, pp. 660-686.
- Dür, A. & Mateo, G. (2014). The Europeanization of interest groups: Group type, resources and policy area. *European Union Politics*, Vol. 15(4), pp. 572-594.
- Dür, A., Bernhagen, P. & Marshall, D. (2015). Interest group success in the European Union: When (and why) does business lose? *Comparative Political Studies*, Vol. 48(8), pp. 951-983.
- Eising, R. (2004). Multilevel governance and business interests in the European Union. *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 17(2), pp. 211-245.
- Eising, R. (2007). The access of business interests to EU institutions: towards élite pluralism? *Journal of European Public Policy*, Vol. 14(3), pp. 384-403.
- European Commission. (2018). *CAP expenditure in the total EU expenditure*. Retrieved from [https://ec.europa.eu/agriculture/sites/agriculture/files/cap-post-2013/graphs/graph1\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/cap-post-2013/graphs/graph1_en.pdf)
- European Commission (n.d.). *Transparency Register*. Transparency and the EU. Retrieved from <http://ec.europa.eu/transparencyregister/public/homePage.do>
- Fennell, R. (1997). *The Common Agricultural Policy: Continuity and Change*. Oxford: Oxford University Press.

- Figueiredo, J.M. & Kim, J.J. (2004). When do firms hire lobbyists? The organization of lobbying at the Federal Communications Commission. *Industrial and Corporate Change*, Vol. 13(6), pp. 883-900.
- Forsgren, M. (2013). *Theories of the Multinational Firm: A Multidimensional Creature in the Global Economy*. Second edition. Edward Elgar: Cheltenham.
- Fuchs, D. (2007). 3: Business as an Actor in Global Governance. In *Business Power in Global Governance*. Boulder, CO: Lynne Rienner Publishers.
- Funk, R.J. & Hirschman, D. (2017). Beyond nonmarket strategy: Market actions as corporate political activity. *Academy of Management Review*, Vol. 42(1), pp. 32-52.
- Gerring, J. (2012). *Social Science Methodology: A Unified Framework*. Second edition. Cambridge University Press: Cambridge.
- Getz, K.A. (1997). Research in corporate political action: Integration and Assessment. *Business & Society*, Vol. 36(1), pp. 32-72.
- Giger, N. & Klüver, H. (2016). Voting against your constituents? How lobbying affects representation. *American Journal of Political Science*, Vol. 60(1), pp. 190-205.
- Gradinaru, I.A. (2018). Public affairs and social constructionism: An explanatory paradigm. *Revista De Cercetare Si Interventie Sociala*, Vol. 61, pp. 243-255.
- Gray, V., Lowery, D., Fellowes, M. & Anderson, J.L. (2005). Legislative agendas and interest advocacy: Understanding the demand side of lobbying. *American Politics research*, Vol. 33(3), pp. 404-434.
- Hall, R.L. & Deardorff, A.V. (2006). Lobbying as legislative subsidy. *American Political Science Review*, Vol. 100(1), pp. 69-84.
- Hart, D.M. (2002). Business is not an interest group (And, by the way, there's no such thing as "business"): On the study of companies in American national politics. *Harvard University: faculty Research Working Papers Series*, 45 pages.
- Henry, A.E. (2011). *Understanding Strategic Management*. Second edition. Oxford University Press Inc.: New York.

Hill, M.D., Kelly, W., Lockhart, G.B. & Ness, R.A.V. (2013). Determinants and effects of corporate lobbying. *Financial Management*, Vol. 42(4), pp. 931-957.

Hillman, A.J. (2002). Public affairs, issue management and political strategy: Methodological issues that count - A different view. *Journal of Public Affairs*, Vol. 1(4), pp. 356-361.

Hillman, A.J. (2003). Determinants political strategies in U.S. multinationals. *Business & Society*, Vol. 42(4), pp. 455-484.

Hillman, A.J. & Hitt, M.A. (1999). Corporate political strategy formulation: A model of approach, participation, and strategy decisions. *The Academy of Management Review*, Vol. 24(4), pp. 825-842.

Hillman, A.L. & Riley, J.G. (1989). Politically contestable rents and transfers. *Economics and Politics*, Vol. 1(1), pp. 17-39.

Hillman, A.J., Withers, M.C. & Collins, B.J. (2009). Resource dependence theory: A review. *Journal of Management*, Vol. 35(6), pp. 1404-1427.

Holburn, G.L.F. & Bergh, R.G.V. (2002). Policy and process: A game-theoretic framework for the design of non-market strategy. *The new institutionalism in strategic management*, Vol. 19, pp. 33-66.

Holburn, G.L.F. & Bergh, R.G.V. (2008). Making friends in hostile environments: Political strategy in regulated industries. *The Academy of Management Review*, Vol. 33(2), pp. 521-540.

Holyoke, T.T. (2003). Choosing Battlegrounds: Interest group lobbying across multiple venues. *Political Research Quarterly*, Vol. 56(3), pp. 325-336.

Jacomet, D. (2005). The Collective Aspect of Corporate Political Strategies The Case of U.S. and European Business Participation in Textile International Trade Negotiations. *International Studies of Management & Organization*, Vol. 35(2), pp. 78-93.

Jia, N. (2018). The "Make and/or buy" decisions of corporate political lobbying: integrating the economic efficiency and legitimacy perspectives. *Academy of Management Review* 2018, Vol. 43(2), pp. 307-326.

Jia, N & Mayer, K. (2016) "Complementarity in Firms' Market and Political Capabilities: An Integrated Theoretical Perspective" In *Strategy Beyond Markets. Advances in Strategic Management*, Vol. 34, pp. 161-191

- Kaufman, A., Englander, E., Marcus, A. (1993). "Selecting an Organizational Structure for Implementing Issues Management. In B.M. Mitnick (Ed.) *Corporate Political Agency: The Construction of Competition in Public Affairs*. SAGE Publications, Inc.
- Kim, J. (2008). Corporate Lobbying Revisited. *Business and Politics*, Vol. 10(2), pp. 1-23.
- Klüver, H. (2009). Measuring Interest Group Influence Using Quantitative Text Analysis. *European Union Politics*, Vol. 10(4), pp. 535–549
- Klüver, H. (2010). Europeanization of Lobbying Activities: When National Interest Groups Spill Over to the European Level. *European Integration*, Vol. 32(2), pp. 175-191.
- Klüver, H. (2011). The contextual nature of lobbying: Explaining lobbying success in the European Union. *European Union Politics*, Vol.12(4), pp. 483–506.
- Klüver, H. (2012a). Biasing Politics? Interest Group Participation in EU Policy-Making. *West European Politics*, Vol. 35(5), pp. 1114-1133.
- Klüver, H. (2012b). Informational Lobbying in the European Union: The Effect of Organisational Characteristics. *West European Politics*, Vol. 35(3), pp. 491-510.
- Klüver, H. (2013). Lobbying as a collective enterprise: winners and losers of policy formulation in the European Union. *Journal of European Public Policy*, Vol. 20(1), pp. 59-76.
- Klüver, H., Braun, C., Beyers, J. (2015). Legislative lobbying in context: towards a conceptual framework of interest group lobbying in the European Union. *Journal of European Public Policy*, Vol. 22(4), pp. 447-461.
- Klüver, H., Mahoney, C., & Opper, M. (2015). Framing in context: How interest groups employ framing to lobby the European Commission. *Journal of European Public Policy*, Vol. 22(4), pp. 481-498.
- Kotter, J. (1979). Managing external dependence. *The Academy of Management Review*, Vol. 4(1), pp. 87-92.
- Langley, A., Smallman, C., Tsoukas, H. & Van de Ven, A. (2013). Process Studies of Change in Organization and Management: Unveiling Temporality, Activity and Flow. *Academic of Management Journal*, Vol. 56(1), pp. 1-13.

- Lawton, T. & Rajwani, T. (2011) Designing lobbying capabilities: managerial choices in unpredictable environments, *European Business Review*, Vol. 23(2), pp.167-189.
- Lenway, S. A & Rehbein, K. (1991). Leaders, Followers, and Free Riders: An Empirical Test of Variation in Corporate Political Involvement. *The Academy of Management Journal*, Vol. 34(4), pp. 893-905.
- Lux, S., Crook, T. R., & Woehr, D. J. (2010). Mixing Business With Politics: A Meta-Analysis of the Antecedents and Outcomes of Corporate Political Activity. *Journal of Management*, Vol. 37(1), 223-247.
- Mahoney, C. (2007). Lobbying Success in the United States and the European Union. *Journal of Public Policy*, Vol. 27(1), pp. 35-36.
- Mallett, R., Hagen-Zanker, J., Slater, R., & Duvendack, M. (2012). The benefits and challenges of using systematic reviews in international development research. *Journal of Development Effectiveness*, Vol. 4(3), pp. 445–455.
- Marshall, D. (2010). Who to lobby and when: Institutional determinants of interest group strategies in European Parliament committees. *European Union Politics*, Vol. 11(4), pp. 553–575.
- Mejeriforeningen (n.d.). *Mejeriforeningen*. Retrieved from <https://mejeri.dk/branchen/om-mejeribranchen/mejeriforeningen>
- Michalowitz, I. (2004). Analysing Structured Paths of Lobbying Behaviour: Why Discussing the Involvement of ‘Civil Society’ Does not Solve the EU's Democratic Deficit. *Journal of European Integration*, Vol. 26(2), Vol. 145-173.
- Michalowitz, I. (2007). What determines influence? Assessing conditions for decision-making influence of interest groups in the EU. *Journal of European Public Policy*, Vol. 14(1), pp. 132-151.
- Moses, J.W. & Knutsen, T.L. (2012). *Ways of Knowing: Competing Methodologies in Social and Political Research*. Second edition. Houndmills, Palgrave MacMillan.
- Ougaard, M. (2010). Introducing Business and Global Governance. In M. Ougaard, & A. Leander (Eds.), *Business and Global Governance* (pp. 1-36). Oxon: Routledge.
- Oliver, C. & Holzinger, I. (2008). The Effectiveness of Strategic Political Management: A Dynamic Capabilities Framework. *The Academy of Management Review*, Vol. 33(2), pp. 496-520.

Ozer, M and Alakent, E (2012). The Influence of Ownership Structure on How Firms Make Corporate Political Strategy Choices. *Business & Society*, Vol. 52(3), pp. 451–472.

Ozer, M. & Lee, S.H. (2009) When Do Firms Prefer Individual Action to Collective Action in The Pursuit of Corporate Political Strategy? A New Perspective on Industry Concentration. *Business and Politics*, Vol. 11(1), pp. 1-21.

Parmigiani, A (2007). Why Do Firms Both Make and Buy? An Investigation of Concurrent Sourcing. *Strategic Management Journal*, Vol. 28(3), pp. 285-311.

Pearce, J. L., Castro, J. O., & Guillén, M. F. (2008). Introduction to Special Topic Forum Influencing Politics and Political Systems: Political Systems and Corporate Strategies. *Academy of Management Review*, Vol. 33(2), pp. 493-495.

Potters, J & Winden, F.V. (1992). Lobbying and Asymmetric Information. *Public Choice*, Vol. 74(3), pp. 269-292.

Sadrich, F & Annavarjulia, M (2003). Antecedents of Corporate Lobbying participation and intensity: A review of literature. *Public Administration Quarterly*, Vol. 26(4), pp. 465-502.

Sayer, A. (2000). *Key Features of Critical Realism in Practice: A Brief Outline, in Realism and Social Science*. Sage Publications ltd, London.

Sgueo, G. (2015), December. Transparency of lobbying at the EU level. *European Parliament Briefing*.

Retrieved from

[http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/572803/EPRS\\_BRI\(2015\)572803\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/572803/EPRS_BRI(2015)572803_EN.pdf)

Shaffer, B (1995). Firm-level Responses to Government Regulation: Theoretical and Research Approaches. *Journal of Management*, Vol. 21(3), pp. 495-514.

Schendelen, R (2012). New trends of public affairs management at the EU level. *Journal of Public Affairs*, Vol. 12(1), pp. 39–46.

Taminiau, Y & Wilits, A. (2006). Corporate lobbying in Europe, managing knowledge and information strategies. *Journal of Public Affairs*, Vol. 6, pp. 122-130.

- Timmermans, S. & Tavory, I. (2012). Theory Construction in Qualitative Research: From Grounded Theory to Abductive Analysis. *Sociological Theory*, Vol. 30(3), pp. 167-186.
- Titley, S. (2002). How Political and social change will transform the EU public affairs industry. *Journal of Public Affairs*, Vol. 3(1), pp. 83-89.
- Thomas, C.S. and Hrebendar, R.J. (2009) Comparing lobbying across liberal democracies: Problems, approaches and initial findings. *Journal of Comparative Politics*, Vol. 2(1), pp. 131–142.
- Thomas, G. (2010). Doing Case Study: Abduction Not Induction, Phronesis Not Theory. *Qualitative Inquiry*, Vol. 16(7), pp. 575-582.
- Vercic, D & Vercic, A (2012). Public relations and lobbying: New legislation in Slovenia. *Public Relations Review*, Vol. 38, pp. 14-21.
- Williamson (1981). The Economics of Organization: The Transaction Cost Approach. *American Journal of Sociology*, Vol. 87(3), pp. 548-577.
- Wilts & Quittkat (2004). Corporate interests and public affairs: Organised business–government relations in EU member states. *Journal of Public Affairs*, Vol. 4(4), pp.384-399.
- Woll, C. (2006) Lobbying in the European Union: From sui generis to a comparative perspective. *Journal of European Public Policy*, Vol. 13:3, 456-469.
- Woll, C. (2012) The brash and the soft-spoken: Lobbying styles in a transatlantic comparison. *Interest groups and advocacy*, Vol. 1(2), pp. 193-214.
- Kevin Young (2014) Losing abroad but winning at home: European financial industry groups in global financial governance since the crisis. *Journal of European Public Policy*, Vol. 21(3), pp. 367-388.
- Young, K. & Paglairy, S (2017). Capital united? Business unity in regulatory politics and the special place of finance. *Regulation & Governance*, Vol. 11, pp. 3-23.
- Zaheer, S. (1995). Overcoming the liability of Foreignness. *The Academy of Management Journal*, Vol. 38(2), pp. 341-363.

## **Appendix A: Interview guide**

### **Interview with George Morrison, Head of Public Affairs, Arla Foods**

We are both bachelors in International Business & Politics from CBS and are currently studying MSc. International Business & Politics. This fall we are writing our thesis about lobbyism. Troels has a background in European lobbyism from the Danish Dairy Board's office in Bruxelles, while Andreas has worked with media and public debate at Radio24syv and the weekly magazine Mandag Morgen.

The thesis covers the interface between a firm and the interest organizations that it holds memberships of. We want to uncover the organizational relations between firm and interest organization in order to discover when the firm utilizes its own resources for lobbyism vs. working through an interest organization. In our study, we focus specifically on the dairy industry and Arla Foods. As the largest Danish producer of dairy products with international operations strives to promote its interests at the EU level. Arla is an interesting case for our study, since the firm utilizes both internal resources and interest organizations such as Landbrug & Fødevarer. We focus on European lobbying so the following questions should be considered in that context.

#### **Themes and questions:**

##### Theme 1: Public Affairs at Arla

- Please present your position and key responsibilities at Arla?
- Which activities does the Public Affairs department undertake?
- How does your department engage in lobbyism at a European level.
  - How do you engage with the different EU institutions?

##### Theme 2: Relation to other organizations

- Which interest organizations do you engage with?
- Of these organizations, which are the most important?
- Are there differences in how you utilize different interest organizations?

##### Theme 3: Lobbying through interest organizations vs. directly (corporate)

- In general, are there differences in terms of the activities that Arla itself undertakes versus those undertaken by your interest organizations?



- When engaging in lobbying (i.e. taking a meeting with European Commission), Arla could work alone, delegate to an interest organization, or work together on a particular issue. What are the strengths and weaknesses of each approach?
  - What determines whether Arla would take one particular approach over another?
- Given that many of your interest organizations represent widely different interests, how do you handle disagreement among members?

#### Theme 4: Coordination and communication

- How do you coordinate with your interest organizations?
- Which other departments at Arla are in direct contact with interest organizations?

#### Theme 5: The role of nationality

- How important is nationality when it comes to European lobbying?