The corporate political activities of multinational enterprises: the automotive industry and environmental regulations in the European Union

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The Corporate Political Activities of Multinational Enterprises: The Automotive Industry and Environmental Regulations in the European Union

By

Sigrun M. Wagner

Doctoral Thesis
Submitted in partial fulfilment of the requirements for the award of The Degree of Doctor of Philosophy of Loughborough University

June 2011
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Abstract

Society’s concern over the negative impact of business activities on the natural environment has significantly increased and, as a result, environmental regulations have grown considerably both in number and scope. As these policies affect businesses and their competitive environment, firms are interested in shaping the nature of such legislation through corporate political activities (CPAs).

This thesis investigates the CPAs of MNEs in the automotive industry that are directed towards environmental regulations in the EU. Using the resource-based view as its theoretical framework, it investigates six research questions that address the characteristics, determinants and consequences of these CPAs in relation to three regulatory areas (pollutant emissions, CO2 emissions and end-of-life vehicles). Case study analysis is based on 71 interviews with stakeholders from the automotive industry (the entire population of 11 MNEs from the Triad regions that are politically active in Brussels) and related industries, EU institutions and civil society organisations, representing the societal triangle (market, state, civil society).

The thesis finds that the 11 automotive firms engage in CPAs to inform policy-makers, and because of the impact that regulations have on their businesses. Whilst the firms attempt a cooperative approach, in reality this is not always the case: whereas individual company and association activities should lead to a united voice, this does not occur when it comes to important company-specific technologies and particular environmental policies. These regulations are viewed by companies as both a costly burden and as opportunities, though non-corporate respondents perceive that MNEs see them only as costs. The main (political) resources and competences used in CPAs are found to be human resources (including the related resources of expertise, contacts, trust and reputation, i.e. social capital), and technological resources. Regulations and the technological resources influencing CPAs are directly and uniquely linked to the product portfolios of MNEs. These differences in technological resources and product ranges account for most of the variance in MNEs’ CPAs rather than the respective countries of origin within the Triad.

KEYWORDS: Corporate Political Activities, Business-Government Relations, Lobbying, Multinational Enterprises, Triad Regions, Automotive Industry, Environmental Regulations, European Union, Resource-Based View, Case Study
Acknowledgements

I would like to thank my supervisors, Dr. Ursula F. Ott, Prof. Malcolm R. Hill, and Prof. Trevor W. Buck for their immense support, patience and dedication. I would like to thank Ursula for accepting me as a research student and for always believing in my potential, Malcolm for becoming involved as a supervisor in my third year, and Trevor for providing crucial input over the last PhD year. Thank you all for your encouragement, the challenging discussions, your inspiring input and our refreshing non-academic debates.

In addition to my supervisors, there is a whole range of people who contributed to the success of this work, and I would like to take this opportunity to thank them:

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Loughborough University Business School and its former and current staff members for the provision of funding, various jobs and a great environment for research.

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Above all, I'm grateful to the one who created me, gifted me, loved me, never let go of me and let me find myself during the PhD.

SDG
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<td>Respondent from Automotive Association (interview key), Market side: AA1 to AA2 – European automotive associations AA3 – Japanese automotive association</td>
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<tr>
<td>ACEA</td>
<td>European Automobile Manufacturers' Association</td>
</tr>
<tr>
<td>AmCham</td>
<td>American Chamber of Commerce</td>
</tr>
<tr>
<td>AOP</td>
<td>Auto-Oil Programme</td>
</tr>
<tr>
<td>CEFIC</td>
<td>European Chemical Industry Council</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Ch.</td>
<td>Chapter</td>
</tr>
<tr>
<td>CO2</td>
<td>Carbon Dioxide</td>
</tr>
<tr>
<td>Com1 to Com13</td>
<td>Respondent from European Commission (interview key), State side: Com1 – DG Employment Com2 to Com8 – DG Environment Com9 to Com13 – DG Industry and Enterprise</td>
</tr>
<tr>
<td>CPAs (CPA)</td>
<td>Corporate political activities (corporate political activity)</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DG</td>
<td>Directorate General (of the European Commission)</td>
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<tr>
<td>DIPA</td>
<td>German Institute for Public Affairs</td>
</tr>
<tr>
<td>EC</td>
<td>European Community/Communities</td>
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<tr>
<td>ECPA</td>
<td>European Centre for Public Affairs</td>
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<tr>
<td>EEA</td>
<td>European Environmental Agency</td>
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<td>ELVs</td>
<td>End-of-life vehicles</td>
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<td>ENDS</td>
<td>Environmental Data Services</td>
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<td>EP</td>
<td>European Parliament</td>
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<td>EU</td>
<td>European Union</td>
</tr>
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<td>EU1 to EU6</td>
<td>European Automotive Company</td>
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<td>EU1-A/B to EU6-A</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FIA</td>
<td>Fédération Internationale de l’Automobile</td>
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<tr>
<td>FOE</td>
<td>Friends of the Earth</td>
</tr>
<tr>
<td>FT</td>
<td>Financial Times</td>
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<tr>
<td>GHG(s)</td>
<td>Greenhouse gas(es)</td>
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<td>GM</td>
<td>General Motors</td>
</tr>
<tr>
<td>HC</td>
<td>Hydrocarbons</td>
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<td>HR</td>
<td>Human Resources</td>
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<td>IB</td>
<td>International Business</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>IV(s)</td>
<td>Interview(s)</td>
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<tr>
<td>JAMA</td>
<td>Japan Automobile Manufacturers' Association</td>
</tr>
<tr>
<td>KAMA</td>
<td>Korean Automobile Manufacturers' Association</td>
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<tr>
<td>JP1 to JP3</td>
<td>Japanese Automotive Company</td>
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<tr>
<td>JP1-A to JP3-A</td>
<td>Respondent from Japanese Automotive Company (interview key), Market side</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>MEP</td>
<td>Member of the European Parliament</td>
</tr>
<tr>
<td>MEP1 to MEP13</td>
<td>Member of the European Parliament, respondent (interview key), State side:</td>
</tr>
<tr>
<td></td>
<td>MEP1 to MEP5 – Conservative Party</td>
</tr>
<tr>
<td></td>
<td>MEP6 to MEP9 – Labour/Social Democrat Party</td>
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<td></td>
<td>MEP10-MEP12 – Green Party</td>
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<td></td>
<td>MEP13 – Liberal Party</td>
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<tr>
<td>MNE</td>
<td>Multinational Enterprise</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td></td>
<td>NGO6 – Consumer NGO</td>
</tr>
<tr>
<td>NOx/N2O</td>
<td>Nitrous Oxide</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OEM</td>
<td>Original Equipment Manufacturer (automotive companies)</td>
</tr>
<tr>
<td>OICA</td>
<td>Organization of International Automobile Constructors</td>
</tr>
<tr>
<td>OLI</td>
<td>ownership, location, internalisation (Dunning’s Eclectic Paradigm)</td>
</tr>
<tr>
<td>PA</td>
<td>Public Affairs</td>
</tr>
<tr>
<td>PAC</td>
<td>Political Action Committee</td>
</tr>
<tr>
<td>PM</td>
<td>Particulate matter</td>
</tr>
<tr>
<td>PR</td>
<td>Public Relations</td>
</tr>
<tr>
<td>PVC</td>
<td>Polyvinyl chloride (plastic)</td>
</tr>
<tr>
<td>QMV</td>
<td>Qualified majority voting</td>
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<tr>
<td>RBV</td>
<td>Resource-based view</td>
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<td>Rel1 to Rel14</td>
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<td></td>
<td>Rel1 to Rel9 – related industry association</td>
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<td></td>
<td>Rel10 to Rel14 – related industry company</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RQ</td>
<td>Research Question</td>
</tr>
<tr>
<td>SCA</td>
<td>Sustained/Sustainable Competitive Advantage</td>
</tr>
<tr>
<td>SEA</td>
<td>Single European Act</td>
</tr>
<tr>
<td>SEI</td>
<td>Stockholm Environment Institute</td>
</tr>
<tr>
<td>SMMT</td>
<td>Society of Motor Manufacturers and Traders</td>
</tr>
<tr>
<td>SUV</td>
<td>Sports Utility Vehicle</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, weaknesses, opportunities, threats</td>
</tr>
<tr>
<td>VA(s)</td>
<td>Voluntary Agreement(s)</td>
</tr>
<tr>
<td>VDA</td>
<td>Verband der Automobilindustrie (German Automobile Association)</td>
</tr>
<tr>
<td>VRIN</td>
<td>Valuable, Rare, Inimitable, Non-substitutable</td>
</tr>
<tr>
<td>VW</td>
<td>Volkswagen</td>
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<tr>
<td>UNFCCC</td>
<td>United Nations Framework Convention on Climate Change</td>
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<td>US1 to US2</td>
<td>American Automotive Company</td>
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<td>US1-A to US2-B</td>
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<tr>
<td>WEEE</td>
<td>Waste from Electric and Electronic Equipment</td>
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<tr>
<td>WWF</td>
<td>World Wide Fund For Nature</td>
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1 Introduction

1.1 Background
This research investigates those corporate political activities (CPAs) of multinational enterprises (MNEs) in the automotive industry that are directed towards environmental regulations in the European Union (EU). In this introductory chapter, the motivation and justification behind the choice of topic, the research questions investigated, the methods used and the structure of the thesis are explained.

Why Business and Politics? The research combines these two areas and brings together theoretically and academically separate areas that are inextricably linked in practice – government policies and decisions affect businesses and their competitive environment, and vice versa (Keim and Hillman 2008). So far, the necessity for combining these two areas seems to have been rather neglected academically: Vogel (1996) argues strongly for an approach to the study of CPAs (business-government relations) that incorporates both Political Science and management perspectives. This study is therefore exploratory in nature.

Why Environmental Regulations? This area has been chosen as a context for CPAs as these regulations for companies have grown immensely in number (Lenschow and Sprungk 2010) and complexity in recent years due to society’s concern over the impact that business activities have on the environment (Rugman and Verbeke 1998a), and as these policies are of vital importance to the future of both the planet and of humankind. For firms, this matter demonstrates a crucial corporate dilemma between competitive advantage and social and environmental legitimacy.

Why MNEs and Environmental Regulations? Environmental pollution and protection are essentially cross-border issues and thus companies crossing national borders and operating across them, i.e. MNEs, are an important part of the solution to environmental problems, whether these are process- or product-based. MNEs as larger firms also have more resources to engage in CPAs (Levy 1995). It was therefore decided to analyse MNE political behaviour rather than smaller firms’ political activities.
Why the EU? The EU is the most advanced regional trading bloc, integrating both economically and politically, and it is considered a leader in environmental regulations (Kelemen and Vogel 2010). With policy-making and therefore pre-regulatory CPAs based in the political centre of the EU, Brussels, it is possible to compare MNEs from the Triad regions (EU, Japan, US) in one location. Many environmental issues are inherently supranational (Dunning and Lundan 2008) and it is thus advisable to examine the issue of MNEs and environmental regulations in a supranational context such as the EU instead of a purely national context.

Why the Automotive Industry? The motor vehicles industry was chosen as all the major global car companies operate within the European single market and are also politically represented in a single location. Accordingly, this makes it possible to compare, in Brussels, the CPAs of European firms with those of US and Japanese subsidiaries. The industry is politically active and has been the subject of lobbying studies in the Political Science literature (McLaughlin and Maloney 1999), which makes it possible to compare findings. It is also regarded as a polluting industry in terms of its processes and products, and hence faces significant (post-regulatory) challenges by environmental regulations and is strongly influenced by these regulations (Levy and Egan 2003, Wagner 2009). The chosen focus of this thesis, therefore, on the selected regulatory areas of pollutant emissions, carbon dioxide (CO2) emissions, and end-of-life vehicles (ELVs), is important, and these three areas – which can pose conflicting requirements on the industry – have not been studied together in this pre-regulatory context.

Why pre-regulatory CPAs of the automotive industry in the EU? Crotty and Smith (2006) have come close to the unit of analysis of this thesis as they investigated the post-regulatory response of business activities of the UK car industry regarding ELVs by using Rugman and Verbeke (1998a)’s framework. This thesis acknowledges this direction of research but tries to find out whether, ex ante, CPAs can lead to new insights regarding political activities, resources and relationships between the private, public and third sector.

1.2 Research Questions and Objectives
The research on CPAs tends to draw independently on the disciplines of International Business (IB), Strategic Management and Political Science. This literature stresses,
Introduction

however, a need for inter- and multidisciplinary research into business-government relations and for the investigation of the EU as a supranational institution. These three disciplines share an underlying resource assumption, and therefore a resource-based view (RBV) is used in this thesis as its main theoretical framework.

While CPAs are discussed and defined in these three strands of literature as any intended firm action with the purpose of influencing governmental policy, they have so far not provided clear and consistent answers as to why firms pursue CPAs and whether government policies are exogenous or endogenous to companies (Boddewyn 1988 and 2003, Salorio et al. 2005). This thesis will therefore address the following six research questions:

Research question 1: Why do firms engage in CPAs?

Business-government relations are complex and within the mentioned strands of research there has not been a clear answer as to whether these relations are of confrontational or cooperative nature, or how they are organised (Rugman and Verbeke 1998b, McLaughlin and Maloney 1999). Therefore, another research question is posed:

Research question 2: How do companies organise and approach CPAs?

This question of organisation also embraces firms’ decisions whether to pursue activities individually or collectively through an industry association (Bouwen 2002). The focus of this thesis is mainly on individual CPAs; however, since joint political (unlike market) activities are permitted, the following question also needs to be asked:

Research question 3: What is the relationship between individual firm activities and industry association activities in interest representation?

The importance of researching environmental regulations is emphasised in the three strands of literature used (Windsor 2007), and the RBV, too, discusses corporate environmental policies (Russo and Fouts 1997), leading to the next question:

Research question 4: How do corporations view environmental regulations?

Investigating this sheds light on the perspective companies adopt in relation to environmental regulations, whether they regard these as costs, opportunities or both

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1 By firms, we mean companies and corporations in general and MNEs in particular. These terms are used interchangeably in order to avoid repetition.
(see also Smith and Crotty 2008 for automotive companies’ attitudes towards environmental regulations, albeit within a purely UK context).

The three areas of environmental regulations (pollutant and CO2 emissions, ELVs) have been reported in media and academia as being full of tensions and differences. Furthermore, the automotive industry is unique in that it has companies with headquarters in all Triad regions operating competitively and politically in the EU. The thesis therefore investigates what these tensions and differences are and why they arose. In other words:

Research question 5: How and why do CPAs differ – across different areas of environmental regulations and between MNEs from the Triad regions²?

This research question was prompted by the RBV and a call for papers for a special issue of the Journal of International Business Studies³. Therefore, this question of international differences is an important contribution to the IB literature, which has often focused on similarities between IB institutions, e.g. MNEs (Toyne and Nigh 1997a: 14). It is also the case that the literature on business-government relations has not investigated differences between companies across different countries of origins (Meznar 2001, Coen 2007). As the RBV is traditionally used as a framework for explaining differences between firms (Gibbert 2006a), it serves as useful underpinning for the study to provide answers to this question. Faced with the same regulatory and institutional environment, MNEs might be expected to respond similarly to this environment. However, due to differences in their resource endowments, it is expected that MNEs may be heterogeneous in their responses, based on the RBV. The RBV also helps to address the following, last, research question:

Research question 6: What kind of (political) resources and competences do firms use in their CPAs?

The RBV only looks at the economic and organisational competences of firms (Boddewyn and Brewer 19994) and, therefore, investigating this question should

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² In this thesis, EU member states in general are considered as home countries for companies from the EU area and as host countries for US and Japanese subsidiaries (see e.g. Wilkins 2007). All companies are faced with the same regulatory environment. Location decisions are already made and therefore “traditional” IB location and entry considerations are not discussed.

³ This call was published in 2005 for a focused issue on “Three lenses on the Multinational Enterprise: Politics, Corruption and Corporate Social Responsibility” and the research questions included amongst others “How do MNE political strategies vary across nations?”.
extend this literature and shed light on how MNEs engage in CPAs and on the specific political resources employed by them in order to gain political advantages.

In investigating these six research questions this study addresses various gaps in the three strands of CPA literature (IB, Strategic Management, and Political Science) and the theoretical framework (RBV), and therefore contributes in several ways to the academic development of research in these areas. The next three chapters discuss these contributions and identify research gaps in more detail. Furthermore, the investigation of these six research questions leads to recommendations for researchers and practitioners, discussed in the concluding chapter.

1.3 Research Methods and Sources

As research design, a case study approach using qualitative methods was chosen, although initially quantitative methods were also considered. The complex and potentially sensitive nature of the subject of business-government relations, the small number of companies involved, and the exploratory nature of the research influenced this choice of qualitative instruments.

The chosen research methodology comprised semi-structured interviews, supported by primary and secondary sources such as reports, policy and legal documents from the companies and industry associations involved, and from the EU institutions. Data sources as well as interview sources were triangulated: all three corners of the so-called societal triangle (Van Tulder and Van der Zwart 2006) were included in the investigation, i.e. state, market and civil society, to give a holistic representation of the complex reality involved in CPAs. The state (or government) provides the legal framework which structures society while the market sector creates benefits for society by transforming inputs into outputs within the boundaries of the legal framework (Van Tulder and Van der Zwart 2006). Civil society represents social relations among citizens that structure society outside business and politics. The most important representatives of civil society are non-governmental organisations, NGOs (Van Tulder and Van der Zwart 2006: 61). All three sides of the societal triangle are involved in the environmental policy-making process and therefore all sides needed to be taken into account for this research.

In total, 71 interviews were conducted, most of them face-to-face in Brussels, with representatives from the EU institutions (European Commission and Parliament) representing the state, companies and associations from the automotive industries and other stakeholders (related industries) representing the market, as well as
environmental and consumer NGOs representing civil society. There are 11 cases of automotive companies politically active in Brussels of which 10 were directly interviewed and 1 indirectly through other sources, and therefore this research covers the whole population of automotive MNEs engaging in CPAs at European level.

1.4 Organisation of the Thesis

The next three chapters (2 to 4) present the literature background, the study context, and the theoretical framework, and chapter 5 synthesises the research questions for which chapter 6 proposes a methodology. Together they provide the basis for the following two chapters 7 and 8, which analyse and discuss the findings. Chapter 9 concludes the thesis.

The literature review in chapter 2 covers the three perspectives on CPAs. The IB literature focuses on MNE-host government relations with an international perspective, while the Strategic Management literature discusses CPAs with a US emphasis. The Political Science literature revolves around interest representation and lobbying with a focus on the EU and a European perspective. The latter also includes a discussion on social capital. The chapter concludes with a synthesis of the three CPA perspectives and the definition of CPAs used throughout the thesis.\(^4\)

In chapter 3, CPAs are applied to the automotive industry and EU environmental legislation, introducing the three chosen regulatory areas in more detail – pollutant emissions, CO2 emissions and ELVs. The thesis does not aim to explain the economics of environmental regulations but takes these as a given to which companies then respond with pre-regulatory political activities in order to shape the details of regulation on the European level.\(^5\) Environmental regulations are discussed as well as the EU – as a context for these – and CPAs with regard to environmental policies.

The theoretical framework of the thesis is discussed in chapter 4. The first part reviews the RBV in general, including the concepts of competitive advantage, resources, heterogeneity and immobility as well as the so-called VRIN framework (value, rareness, inimitability, and non-substitutability of resources) and limitations of

\(^4\) For ease of exposition, CPAs will be the unifying term.

\(^5\) For further discussions of environmental regulations see e.g. Grubb et al. 1999 and Helm 2003.
the RBV\textsuperscript{6}. In the second part, the concepts of the RBV are applied to the context of this thesis, i.e. MNEs, CPAs and environmental regulations. The main assumption of the thesis follows from the RBV, which states that companies differ in their competitive strategies due to heterogeneous distributions of resources across firms and due to the immobile nature of resources (that is, they cannot be transferred between firms without costs). The assumption of the thesis transfers this into the field of political strategies: firms differ in their CPAs due to different competitive strategies and resource endowments. As the RBV is a theoretical framework that is used to explain differences between companies in a competitive environment (Hoopes et al. 2003: 897), it is extended in this thesis to provide a framework to investigate differences between firms in a political environment and the (political) resources and competences employed by MNEs in their CPAs.

Chapter 5 synthesises the research questions on the basis of the three previous chapters. The methodology for this research is then proposed in chapter 6, i.e. the case study and qualitative methods as research tool, and the instruments and sources used. Data collection is described in detail, tools for analysis are introduced, and validity and reliability concerns are considered.

The analysis chapters (7 and 8) are structured around the research questions and include cross-case as well as within-case analysis; in chapter 7 the following research questions (RQs), which are of a general nature, are discussed across the 3 regulatory areas:

- Why do firms engage in CPAs? (RQ1)
- How do companies organise and approach CPAs? (RQ2)
- What is the relationship between individual firm activities and industry association activities in interest representation? (RQ3)
- What kind of (political) resources and competences do firms use in CPAs? (RQ6)

Chapter 8 entails analysis of the three environmental regulatory areas, and findings specific to the individual companies according to their country and region of origin. It addresses the remaining two research questions:

- How do enterprises view environmental regulations? (RQ4)

\textsuperscript{6} The term resource-based view (RBV) is used throughout this thesis, thus adhering to conventional use of the term.
How and why do CPAs differ – across different areas of environmental regulations and between MNEs from the Triad regions? (RQ5)

Chapter 8 also discusses (political) resources and competences with respect to the environmental areas and individual MNEs (RQ6). Chapter 9 revisits the six research questions and summarises the findings. In doing so, it also revisits the foundational chapters in light of the analysis in chapters 7 and 8 in order to point out contributions and reflections. At this stage, the limitations of the study are discussed, including an acknowledgment of the changing environment of the industry, and further research is suggested before the chapter ends with recommendations to the constituents of this research – state, market and civil society – and concluding remarks.
2 The Corporate Political Activities (CPAs) of MNEs

As the nature of the thesis favours an interdisciplinary approach, this chapter draws on three different fields of knowledge to study business-government relations: the IB literature focuses on MNE-host government relations; the Strategic Management literature related to CPAs focuses mostly on US corporations, whereas the Political Science literature focuses on the EU perspective and interest groups in general. The following sections discuss these three areas, which all contribute to a better understanding of the specific context of this thesis: automotive MNEs’ political activities directed towards environmental regulations in the EU. A synthesis of the three perspectives, summarising the gaps and consequent research questions, concludes the chapter.

2.1 Three Perspectives on the CPAs of MNEs and their Political Environment

2.1.1 Setting the Scene: Public Policy Processes and Business

The function of the political process is to organize collective effort to achieve certain goals or objectives that individuals or private groups find difficult, if not impossible, to achieve by themselves. (Gale and Buchholz 1987: 35)

The justification for CPAs lies in the influences and effects that government decisions and policies may have on business enterprises and their competitive environment (Keim and Hillman 2008, Wagner 2009). These effects vary according to the issue area and the type of policy.

Gale and Buchholz (1987) point out that government action can have three general effects: on the size of markets, the structure of markets and the cost structure of an industry. Regulatory requirements can change the cost structures of companies; for example, among environmental regulations, pollution control requirements can alter the input costs of an industry (Gale and Buchholz 1987). Energy costs are a critical uncertainty in the corporate environment and the government’s influence on this environment is a reason for companies to engage politically (Yoffie 1987).
Public policies are created through the political process or through mutual agreement by interested parties (Keim and Hillman 2008). The development of these policies does not take place in a vacuum but is rather the result of “power plays” by interested parties (Boddewyn 1988: 344). Power and influence of a variety of actors pursuing distinct interests make the public policy process a political process – unlike the market place, where a procedure of exchange is prevalent (cf. Gale and Buchholz 1987).

Gale and Buchholz (1987) make a distinction between two goals of corporate involvement in the political process: legitimacy and competitive advantage, which may or may not be in conflict. The authors use Wilson’s (1980) argument that participating in the public policy process for either goal requires that the objectives are stated in terms of collective or societal goods, not the market’s self-interest (Gale and Buchholz 1987). This is in accordance with Marcus et al. (1987b: 15) who argue that it is the ability of the firm to merge its interests with broader social concerns that is of utmost importance in business strategy and public policy.

There is a range of terms used for business-government relations and the company function for it, as can be seen in the following table.

<table>
<thead>
<tr>
<th>Business-government relations</th>
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<tbody>
<tr>
<td>(corporate) public affairs</td>
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<tr>
<td>(corporate/business) political activities/action,</td>
<td>corporate affairs</td>
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<tr>
<td>political behaviour</td>
<td>external relations</td>
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<td>(corporate) political strategies</td>
<td>public relations</td>
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<tr>
<td>(international) business-government interaction</td>
<td>government relations</td>
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<td>lobbying</td>
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<td>MNE-host government relations</td>
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The study of CPAs (or public affairs) is naturally an interdisciplinary subject and draws from the literatures in political science, economics, and management. Getz (1997) mentions the following theories from these literatures in the context of CPAs: interest group, collective action, public choice, transaction cost, resource dependency, exchange, institutional, behavioural and agency theories. Griffin et al.

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7 Marcus et al. (1987a) call these two goals business dilemmas. See also Meznar and Nigh (1993) and Holtbrügge and Berg (2004) for legitimacy as a goal of public affairs management. Boddewyn and Brewer (1994) point out that legitimacy is rather an instrumental goal than an end in itself.
(2001a) make finer distinctions in their wide-ranging bibliography of corporate public affairs and mention the following literatures: corporate public affairs, political strategy, issues management, international public affairs, community relations, and political involvement activities. The terms mentioned in the table above vary slightly in their definitions, but they all have in common that they refer to the function of

enlisting the support and/or negating the opposition of non-market and non-economic players in a firm’s environment. (Griffin et al. 2001a: 11)

The next sections discuss definitions and functions in the light of three different areas – IB, Strategic Management and Political Science.

### 2.1.2 International Business: MNE-Host Government Relations

The IB literature on MNEs can be traced to two inter-related strands of literature in three main time periods, according to Dunning (2001): the three time periods are the 1960s to the mid 1970s, the mid 1970s to the late 1980s, and the late 1980s to the turn of the century. The first strand of literature has examined determinants of ownership, sectoral pattern and geographical scope of MNE activity (Dunning 2001).

The second strand of literature is concerned with changes in the external technological, economic and political environment (Dunning 2001).

According to Boddewyn and Brewer (1994: 137), political behaviour is intrinsic to international business as the crossing of borders means introducing companies into other sovereignties. The authors assert that IB research is much more concerned with political factors than research in domestic business.

Governmental policies differ from country to country and thus distinguish international from domestic business (Boddewyn and Brewer 1994: 123-125, see also Grosse and Behrman 1992: 119, as well as Toyne and Nigh 1998). Boddewyn (1988) anticipates this notion in claiming that the distinction between international and domestic business is

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8 See e.g. Hymer 1976, Vernon (1966) (Product cycle and international investment), Buckley and Casson (1976), Hennart (1982), and Dunning (1981) (OLI paradigm of ownership, location, internalisation). For overviews on the theoretical foundations in IB see also Buckley (1990), Grosse and Behrman (1992) and Dunning and Lundan (2008).

9 Their argument of distinguishing domestic from international business is as follows: nations are typified by physical, economic, social, and cultural characteristics whereas states are typified by political characteristics. Technically, this would mean that international business is in fact “inter-state” business. However, to be consistent with other writings, this thesis will use the established term “international” business.

10 Pitelis (2001) points out that in the absence of states no FDI (foreign direct investment) can exist and neither can transnational companies.
The Corporate Political Activities (CPAs) of MNEs

fundamentally political (see also Boddewyn 1997 and Grosse 2005a). Grosse (2005a) implicitly defines international business-government relations as the relations between national governments and multinational firms. Moon and Lado (2000) confirm that an important issue in IB is the interaction between multinationals and host governments, among which strategic interdependence often exists (Ring et al. 1990). Blumentritt and Nigh (2002) argue for more integration between MNE literature and literature on international business-government interactions.

Dunning (2002) also stresses the need for a reappraisal of the significance of governments for MNE activities. Dunning established the so-called OLI paradigm as a model of the MNE, which is a widely referenced model (Fladmoe-Lindquist and Tallman 1994). Other empirical models to analyse multinational strategies and structures include Bartlett and Ghoshal’s (1989) transnational model and Porter’s (1990) competitive diamond of an industry’s home country advantage (Fladmoe-Lindquist and Tallman 1994, see also Buckley 2002).

In order to bring political aspects into MNE Theory, Boddewyn (1988) expands Dunning’s eclectic OLI paradigm of Ownership, Location and Internalisation advantages to include political dimensions, which were missing from the framework until then. The environment of a firm can, thus, be dichotomised into market and non-market components. Enriching Dunning’s paradigm requires that non-market factors like the government should be endogenised instead of being taken as exogenous “givens” (Boddewyn 1988: 357), which involves interdisciplinary borrowings. One borrowing this author would like to stress is the notion that “public policy (…) is not developed in a vacuum but is usually the outcome of power plays by interested parties” (Boddewyn 1988: 344). Political activities of MNEs (and other corporations) thus take part in shaping legislation. Boddewyn (1988) criticises previous work for an economic bias, taking government policies as givens, which may not be internalised by MNEs. He furthermore emphasises that even though MNEs’ goals might still be economic, they can use political means to achieve

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11 It presents a paradigm of empirically based models of the multinational firm. Two other major theoretical perspectives on MNEs are based on industrial economics and transaction cost economics (Fladmoe-Lindquist and Tallman 1994).

12 Like Boddewyn (1988), Baron (1995) uses the dichotomy non-market and market, which form the corporate environment. The non-market environment includes interactions that are “intermediated by the public, stakeholders, government, the media, and public institutions” (Baron 1995: 47). For an extensive discussion and overarching definition of the concept of non-market see Boddewyn (2003).
economic ends. Markusen (1995) also urges further research to consider making the relationship between policy and foreign ownership, that is, between governments and MNEs, endogenous.

Boddewyn (1988) enriches Dunning’s OLI paradigm by adding political knowledge or expertise to O advantages, by assuming that an L advantage can be of a political nature, and that I involves political intermediate products, too. Political knowledge and expertise are political resources (Dahan 2005a, b) that are investigated as well for their role in CPAs (see chapter 4). The OLI framework can incorporate MNE-host government relations as a result of Boddewyn’s work.

Boddewyn (1997) terms MNE-host government relations as International Business-Government Relations and puts them in the context of less developed countries. MNE-host government relations literature often focuses on developing or emerging markets (e.g. Luo 2004a), especially in the context of technology transfer and foreign direct investment (FDI, see e.g. Fagre and Wells 1982, Dunning 1993, Dunning and Lundan 2008), and seems to take government relations in industrialised home and host countries for granted. Hillman and Wan (2005) note that most IB literature focuses on initial entry into a country whereas little research is directed towards political strategies post-entry (see also Rodriguez et al. 2006). The study at hand addresses this gap by focusing on environmental regulations, which do not regard initial entries, but focus on post-entry production and products.

As research has tended to be on emerging markets (Caves 1998, Dunning 1998), industrialised countries have not been adequately researched. Luo (2004a) encourages the investigation of MNE-host government relations in developed countries and points out that these often provide national treatment to foreign MNEs. Nigh (1997) emphasises that most MNEs are indeed headquartered in (and hosted by) developed countries in the Triad (US, Japan, EU), and that the trend towards increased supranational economic integration does weaken the national identity of

\[\text{\textsuperscript{13}}\text{ Wilkins (1997) argues similarly, and advocates against the separation of the political from the economic in providing analytical frameworks.}\]

\[\text{\textsuperscript{14}}\text{ The general MNE-host government relations literature does seem to focus between MNEs from the Northern hemisphere and host governments in developing countries from the Southern hemisphere, whereas government relations also played a big role for Western MNEs investing in and trading with industrialised Eastern European economies through industrial co-operation agreements during the Cold War (Hill and Hay 1993).}\]

\[\text{\textsuperscript{15}}\text{ See Ohmae (1985, 1987) for Triad regions, as well as Van den Bulcke (1995) and Rugman and Verbeke (2004).}\]
MNEs\textsuperscript{16}. National governments are also facing regulatory competition from organisations such as the EU (Grosse 2005a) which has complicated the monitoring of the political environment for MNEs (Brewer and Young 2001). This thesis investigates this increasingly important and complex context by looking at MNE-government relations in the EU.

In addition, it needs to be stressed that the bulk of sales for MNEs is still in the Triad (Rugman and Verbeke 2004) and there is plenty of room for further analysis from different perspectives and with greater emphasis on the current geographic focus of MNE activities, which clearly is in the Triad countries. (Grosse 2005a: 21)

This thesis therefore makes an empirical contribution with its focus on the EU as a region of developed countries, which is both home and host region to MNEs in the automotive industry, and thus enables the simultaneous comparison of host and home government relations of MNEs: MNE-host government relations for Japanese and American subsidiaries and MNE-home government relations for European companies (EU institutions are regarded as the European government)\textsuperscript{17}.

The Triad regions are of interest in the context of MNE typologies, of which Bartlett and Ghoshal (1989) provide the most extensive one (Harzing 2000)\textsuperscript{18}. Bartlett and Ghoshal (1989) typify MNEs according to key capabilities in responding to pressures for national responsiveness and global integration, as \textit{multinational} (or multidomestic\textsuperscript{19} in Harzing’s terms, 2000), \textit{global} and \textit{international}.

The multinational type is mainly found in European MNEs, the global enterprise in Japanese MNEs and the international one in US MNEs; therefore the MNE typology matches the Triad regions mentioned above. The ideal prescribed type is an integration of all three which Bartlett and Ghoshal (1989) call “transnational

\begin{footnotesize}
\textsuperscript{16} Dunning and Robson (1987) draw an interesting link between regional economic integration and the international integration of activities by and within MNEs which they call corporate integration, both of which are based on a perception that net gains can be attained by integration.

\textsuperscript{17} Toyne and Nigh (1997a) underline that MNEs influence governmental decisions and business processes of both their home and host countries. See also Wilkins (2007) for a discussion of Europe as home and host to MNEs.

\textsuperscript{18} See also Perlmutter (1969) for an early classification of MNEs.

\textsuperscript{19} Bartlett et al. (2008) assign specific meanings to the terms multinational, international, and global. In order to avoid confusion, this thesis will use Harzing’s term multidomestic, although Bartlett and Ghoshal (1989) use the term multinational. MNE as abbreviation is used in a general sense to refer to all enterprises whose operations extend across national borders (Bartlett et al. 2008). Peng (2009) uses the terms home replication, localisation, global standardisation and transnational in his discussion of MNE types.
\end{footnotesize}
enterprise” that encompasses efficiency, responsiveness and learning as key capabilities for success. Although Harzing (2000) criticises Bartlett and Ghoshal for their small number of large in-depth cases, she confirms their typology through empirical work in a large-scale survey of more than 160 MNE subsidiaries. Baron (1995) uses the Bartlett and Ghoshal (1989) typology of MNE market strategies (multidomestic, international and global) to classify non-market strategies of MNEs, and shows that Bartlett and Ghoshal’s framework can therefore incorporate MNE-host government relations. His conclusion is that, although there can be international and global non-market strategies in some areas, the most likely strategy to be used will be multidomestic as the issues and institutions to be targeted are country-specific rather than common throughout countries. This is the most likely case even when the market strategy is international or global (Baron 1995).

It should, thus, be investigated whether the Bartlett and Ghoshal typology holds true for activities on a political as well as on a market level. Rodriguez et al. (2006) encourage research into multinational political strategy according to MNE typology. This thesis examines whether differences are limited to the strategic level of MNEs as discussed by the authors (Bartlett and Ghoshal 1989) or whether these differences extend to and exist in MNE-government relations.

In the context of firm-state interaction in IB, Kobrin (1997) alludes to the political risk and bargaining power literatures (see e.g. Vernon 1971, Poynter 1982, Kobrin 1987, Grosse and Behrman 1992, Brewer 1992). These two streams of research have dominated the IB scholarship dealing with MNE host government relations (Dahan et al. 2005). The bargaining model, the dominant MNE-government relations

20 The administrative heritage, that is, the influence of the historical context, is both an asset and an impediment in the process to change into a transnational organisation (Bartlett and Ghoshal 1989). Whereas the transnational enterprise is an integrated network of interdependent subsidiaries, the first three are ‘hub-and-spoke’ models with the home country as the hub (Westney and Zaheer 2001).

21 Ring et al. (1990) use the strategic predispositions ethnocentric, polycentric and geocentric in their discussion of political imperatives in International Business.

22 Even in the EU with its supranational institutions, national governments from the member states play a role: “In the European Community, lobbying focuses on the Commission and the Directorate Generals as well as on national institutions as a means of influencing the Council of Ministers” (Baron 1995: 63).

23 Boddewyn (1988: 347) criticises that non-market factors have been perceived as risks rather than opportunities, “as if there were not also ‘political opportunities’”. Political risk is generally defined as “home or host government intervention in international business activities” (Ring et al. 1990: 143).
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paradigm (Ramamurti 2001), has been predominantly conflictual (Luo 2001, 2004a and b, Lecraw 1984). Dunning (1993) discusses bargaining with respect to the OLI paradigm and points out that home country-MNE bargaining relationships have been given less attention than relationships with host countries (Dunning and Lundan 2008; see also Ramamurti 2001 on MNEs targeting home and host countries). As pointed out above, the research undertaken here addresses this gap.

The resources of a firm and its O advantages have an effect on its overall bargaining power vis-à-vis its host government (Fagre and Wells 1982, see also Luo 2001, Moon and Lado 2000 as well as Capron and Chatain 2008). Similarly, Boddewyn and Brewer (1994) propose that the intensity of political behaviour is greater when a firm’s political competences are more developed – enterprises in a stronger market, or financial, position will be in a better position to engage in political activities (Keillor and Hult 2004, Gladwin and Walter 1980). Eden et al. (2005) also discuss the influence of resources on bargaining power and use insights of the RBV in their elaboration. They furthermore point out that bargaining negotiations can also include lobbying (see section 2.1.4 in the context of Political Science). Chapter 4 takes a more detailed look at resources in general (RBV) and in relation to CPAs.

Blumentritt and Nigh (2002: 57) point out that “business-government interactions are a complex function for multinational corporations”. The nature of these interactions and relations ranges from collaborative to divergent. In Mahon’s terms (1989), these settings and relationships vary between being adversarial and non-adversarial.

Brewer (1997) notes that emphasis has mostly been placed on conflicts between governments and MNEs instead of on cooperation (see e.g. Behrman 1969 for an early view of conflicts). Dunning (1998) notes that the traditionally uneasy relations have shifted from confrontational to non-adversarial and cooperative (see also Dunning 1993 and Grosse 2005a). Luo (2001) likewise argues for a more

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25 Dunning (1993) identifies three phases of MNE-host government interaction: the honeymoon (1950s and 1960s), the confrontation (1960s and 1970s) and the reconciliation stage (1970s until early 1990s). Stopford (1994) also argues for a reconsideration of a zero-sum game to a positive-sum game.
cooperative view of MNE-host government relations. Part of the more cooperative stance of governments is the significant knowledge MNEs possess in terms of technologies as an input to the regulatory process (Dunning and Lundan 2008). Furthermore, leading firms might have competitive reasons to provide inputs into the regulatory process by promoting their own standards as regulatory standards to give them competitive advantage over rivals (Dunning and Lundan 2008).

Luo (2004a) points out environment protection as one area where there are still substantial differences between MNEs and governments. Grosse (2005a) confirms that this issue is an increasingly important element in relations between governments and companies, which has potential for serious conflict. Brewer (2005: 167) emphasises that especially global warming has “emerged as one of the most challenging and contentious problems facing multinational firms and governments“.

Furthermore, international environmental regulations are growing rapidly, especially on a regional level as part of regional policy integration such as in the EU, and MNEs have stronger incentives than domestic firms to interact with public policy makers in this area in striving for potential scope economies (Rugman and Verbeke 2001). This thesis therefore investigates how business-government relations manifest themselves in the case of the automotive industry and the EU (conflictual or cooperative), especially with regard to environmental regulations.

Gladwin and Walter (1980) point out that positive relationships in general serve to cultivate mutual trust and willingness to respond helpfully. This is underlined by Luo’s (2001) assertion that personal relations between MNE executives and government officials are a force in creating trust and stability. Relational resources are pointed out by Dahan (2005a, b) as political resources used in business-government relations and are further investigated in this study.

As the nature of MNE-(host) government relations varies, so do for example empirical findings of studies on MNE bargaining power (Moon and Lado 2000). Moon and Lado (2000: 99) furthermore show that most of the research on MNE bargaining power has been skewed towards MNEs from the US and demand more systematic analysis of country-level sources of MNE bargaining power, that is, a “nation-of-origin” effect (see also Keillor and Hult 2004 as well as Sethi and Elango 1999). This

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26 Similarly to Dunning (1993), Luo (2001) attributes the conflictual view to the early (entry) stage of MNE-host government relations and the cooperative view to after-entry or operational stages. It is no surprise that the focus of most of the literature in this area has been on time before entry (Dunning and Lundan 2008), that is, conflictual.
is what the present thesis is aiming for, by analysing and comparing CPAs of MNEs from all Triad regions (Japan, US, EU) in one location.\footnote{Fagre and Wells (1982) also encourage the investigation of non-US MNEs in the context of MNE-host government relations. See also Buckley and Chapman (1996) for encouraging comparative research.}

With respect to regional economic integration as is the case for the EU, Dunning and Lundan (2008) point out that, as MNEs become more prominent as political actors, they might seek regional rather than multilateral fora to use and build their influence (see also Scherer et al. 2009). This strengthens the case for the research at hand with its focus on the EU. Dahan et al. (2005) also underline that research in IB on MNEs and their international political environment has overlooked the rise of international organisations such as the EU.

Sullivan and Daniels (2008) challenge IB research by pointing out that the environment of MNEs includes multiple stakeholders that need to be taken into account. The research undertaken here takes up this research challenge by not only interviewing MNE representatives from the automotive industry but also representatives from EU institutions, related industries and civil society organisations like environmental NGOs\footnote{Rugman and Verbeke (1998c) point towards the role of NGOs as especially important in areas such as environment issues. See also Holtbrügge and Berg (2004).} (see also Dunning and Lundan 2008 for multiple stakeholders in MNE environments as well as Vernon 2001, Ramamurti 2001, Doh and Teegen 2002). The study is in line with the ongoing endeavour to “understand how firms formulate and implement political strategies” (Blumentritt and Nigh 2002: 58).

Toyne and Nigh (1997a) criticise the concern of IB research with similarities of IB phenomena such as MNEs, and encourage questions about differences. This supports the research question how and why do MNEs differ in their CPAs?\footnote{See also Whitley (2001) on how and why questions with regard to international firms and differences.}

Sullivan (1998a, 1998b) remarks on the multidisciplinary nature of IB research, but notes that it is not interdisciplinary. Toyne and Nigh (1998) also encourage the investigation of IB phenomena from other disciplinary backgrounds for increased understanding. Behrman (1997) underlines this, and specifically states the growing global concern for the natural environment as an area where cooperation is needed between MNEs and states, and as an area where IB can benefit from Political

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\footnotesize{\textsuperscript{27} Fagre and Wells (1982) also encourage the investigation of non-US MNEs in the context of MNE-host government relations. See also Buckley and Chapman (1996) for encouraging comparative research.}

\footnotesize{\textsuperscript{28} Rugman and Verbeke (1998c) point towards the role of NGOs as especially important in areas such as environment issues. See also Holtbrügge and Berg (2004).}

\footnotesize{\textsuperscript{29} See also Whitley (2001) on how and why questions with regard to international firms and differences.}
Science perspectives\(^{30}\). Boddewyn (1993) also argues for the studies of IB and business political behaviour (CPAs) to be more integrated. Interdisciplinarity also provides the possibility for cross-disciplinary validation of findings (Toyne and Nigh 1997b). The next two sections provide an interdisciplinary grounding for the thesis by looking at business-government relations from a Strategic Management point of view (literature on CPAs) and a Political Science perspective (literature on lobbying and interest representation).

### 2.1.3 Strategic Management: Corporate Political Activities

Few researchers have taken up the task of examining and analyzing firm-specific political behaviour. (Sadrich and Annavarjulia 2003: 489)

Until the mid 1980s political decision-making had received little attention in the management literature dealing with the political environment of the enterprise (Keim and Zeithaml 1986, Epstein 1980). Gale and Buchholz (1987) point out that, since the 1960s, public policy has become an influential determinant of firm behaviour, and Mahon (1989) stresses that corporations expanded their political-action activity immensely in the 1980s. Epstein’s contributions (1969, 1980) paved the way for the further development of the research area in the 1980s and 1990s, when Baysinger’s article (1984) was influential. In Griffin et al.’s (2001a, b) extensive bibliography of the area it can be seen how the field developed and grew from only some individual contributions in the 1960s and start of the 1970s to a whole host of publications in the 1980s and 1990s. In the last decade, studies have become more systematically theoretical as opposed to prior decades when research in the area was conducted in a more \textit{ad hoc} manner (Griffin et al. 2001a)\(^{31}\). Baysinger (1984) identifies CPAs as corporate attempts to shape government policy in ways favourable to the firm. Getz (1997: 32f) defines CPAs as “any deliberate firm action intended to influence governmental policy or process”. Getz (1997) differentiates between CPAs and corporate political strategies. She uses Mahon’s (1989) definition of corporate political strategies which means using

\(^{30}\) See also Grosse and Behrman 1992 on the usefulness of Political Science in explaining IB/government interactions. See Griffith et al. (2008) for public policy issues, especially environmental issues as future research themes in IB.

\(^{31}\) The growing importance of the business-government interface can also be seen in the addition of new journals such as Business and Politics (Vol. 1 in 1999) and Journal of Public Affairs (Vol. 1 in 2001) to the established Business and Society (Vol. 1 in 1960) journal and the topic’s treatment in other management mainstream journals (Windsor 2001).
the organisation’s resources to integrate objectives and to undertake coherent actions directed toward the political, social, and legal environment in order to secure either permanent or temporary advantage and influence over other actors in the process (Mahon 1989: 51-52).

CPAs as a term is narrower in its focus, according to Getz (1997), which is contested by Windsor (2007): political strategy deals with governments and other stakeholders that are governmentally relevant and CPAs are not restricted to political strategy as they also involve corporate social responsibility and corruption strategy\(^{32}\). The term is also more specific than the related concept “political behaviour” which Boddewyn (1988: 342, Getz 1997) defines as “particular ways of relating to targets located in the non-market environment of firms”.

The location of CPAs in individual companies is often the public affairs departments or offices, where government affairs are one of their important activities\(^{33}\) (Marcus et al. 1987b, see also Post et al. 1983). Public affairs can thus be seen as more than only government affairs: it is the management of the interface between an organisation and its socio-political environment (Meznar and Nigh 1995, see also Post et al. 1983).

CPAs are often quite limited in time, for example when votes over legislation take place, and thus timing is critical to political action\(^{34}\) (Mahon 1989). Bonardi and Keim (2005) also assert that timing is key for corporate political strategies, which will differ according to where an issue stands in its political life cycle\(^{35}\) (Keim 2001a).

Firms have incentives to influence politics and legislation as there is a great degree of interdependence between a company’s market environment and government policy (Hillman and Hitt 1999, Baron 1995). Since governments have significant influence on the legal and regulatory framework within which corporations conduct business, it is critical for firms to have political strategies that form an integral part of their overall strategy (Baron 1995, see also Post et al. 1983 and Keim 2001a). As

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\(^{32}\) In an earlier contribution, the author acknowledges a narrow and a broad connotation of political strategy (Windsor 2001).

\(^{33}\) Other activities being issues management, public relations, community affairs (Marcus et al. 1987b).

\(^{34}\) Mahon (1989) introduces the concept of the public issues-life-cycle, which consists of five stages, which in turn influence corporate political strategies.

\(^{35}\) In the context of timing, it may also be pointed out, that although the CPA literature is couched in strategic management, which would imply a long-term perspective (strategy), CPAs are often short-term measures and rather tactics than strategies due to the nature of legislation. As the CPA literature focuses mostly on American companies, this is consistent with American cultural short-termist perspectives (see e.g. Voss and Blackmon 1998).
such, political behaviour is complementary to economic behaviour as the former is a means to achieve strategic goals rather than an end in itself (Boddewyn and Brewer 1994). Boddewyn (1988) also argues there need not be a specific objective in CPAs other than firms’ traditional economic goals of survival, profitability and/or growth. Government policies are not necessarily exogenous policies that firms must take as given constraints, but firms can take an active role in shaping these public policies as is accepted and expected in democratic societies (Keim and Hillman 2008, Keim 2001a).

Like Boddewyn (1988), Baron (1995) uses the dichotomy of non-market and market components, which together form the corporate environment. For a business strategy to be effective it needs to integrate both areas, especially considering the non-market environment as endogenous to corporate strategy rather than exogenous. Only through such a perspective can the purpose of non-market strategies be pursued, which is to shape the firm’s market environment (Baron 1995, Keim 2001a). Despite Baron’s call for integrating market and non-market strategies, this area remains understudied, as Rodriguez et al. (2006) state (see also Keim 2001a).

For Windsor (2007) and Hillman et al. (2004), CPAs broadly include any intentional business effort to influence public or quasi-public policies. As such, CPA is not synonymous with non-market strategy, but rather a subset of it (Windsor 2007).

The target of CPAs is the non-market environment of the firm, which is made up of social, political, and legal arrangements. Schuler et al. (2002: 669) state that:

> Understanding corporate political strategy is indispensable for making sense of competitive strategy.

Shaffer (1995) argues that the effects of government on the competitive position of firms are important determinants of profitability. Keim and Hillman (2008) emphasise how government decisions shape the competitive environment of firms and specifically point out automotive companies Honda and Toyota for having positioned themselves to be leaders in fuel economy in the US market while General Motors (GM) and Ford are following behind. The authors underline the increasing importance of issues such as sustainability and climate change as reasons for business

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36 Salorio et al. (2005: 46) remark that business political behaviour creates qualms about its potential for “nefarious impact” on nonmarket institutions. This negative connotation of CPA is more pronounced in the discussion of lobbying and interest representation (see next section).

37 Other subsets of non-market strategies include stakeholder management, corporate social responsibility (CSR) strategy, community relations, and anticorruption posture (Windsor 2007).
managers to interface with political decision-makers. These areas are investigated in three areas of environmental regulations in the EU for the automotive industry.

As Getz (2001) points out, the literature on political strategy and public affairs provides inconsistent explanations of why firms become politically engaged. To fill this gap and to establish what the objectives and motivational factors of CPAs are, the study at hand asks why firms engage in business-government relations. CPAs (or non-market strategies) take many forms and names, and are classified by different means by different authors. In the table below an indicative list is displayed.

*Table 2.2: Methods and objectives of CPAs*

<table>
<thead>
<tr>
<th></th>
<th>Methods and approaches</th>
<th>Objectives and strategies</th>
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<tbody>
<tr>
<td><strong>Baysinger</strong></td>
<td><strong>Methods</strong></td>
<td><strong>Objectives</strong></td>
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<tr>
<td>1984</td>
<td>Political Action Committee (PAC) contributions</td>
<td>Domain Management</td>
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<td></td>
<td>In-kind support</td>
<td>Domain Defence</td>
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<td></td>
<td>Lobbying</td>
<td>Domain Maintenance</td>
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<td></td>
<td>Trade associations,</td>
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<td></td>
<td>Washington office (in Europe: Brussels office)</td>
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<td></td>
<td>Agency hearings</td>
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<td></td>
<td>Grass roots efforts</td>
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<td></td>
<td>Public relations</td>
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<tr>
<td><strong>Keim and Zeithaml</strong></td>
<td><strong>Strategies</strong></td>
<td><strong>Constituency building,</strong></td>
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<tr>
<td>1986</td>
<td>Constituency building,</td>
<td>PAC contributions</td>
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<td></td>
<td>PAC contributions</td>
<td>Advocacy advertising,</td>
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<tr>
<td></td>
<td>Advocacy advertising,</td>
<td>Lobbying</td>
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<tr>
<td></td>
<td>Coalition building</td>
<td></td>
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<tr>
<td><strong>Yoffie 1987</strong></td>
<td><strong>Strategies</strong></td>
<td><strong>Passive strategies</strong></td>
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<td></td>
<td>Constituency building,</td>
<td><strong>Activist strategies</strong></td>
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<tr>
<td><strong>Boddewyn and Brewer 1994</strong></td>
<td><strong>Forms</strong></td>
<td><strong>Efficiency</strong></td>
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<td></td>
<td>Bargaining vs. non-bargaining</td>
<td><strong>Market power</strong></td>
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<tr>
<td></td>
<td>Non-bargaining: Compliance, avoidance,</td>
<td><strong>Legitimacy</strong></td>
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<tr>
<td></td>
<td>circumvention</td>
<td></td>
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<tr>
<td></td>
<td>Bargaining: Conflict vs. Partnership</td>
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<tr>
<td><strong>Baron 1995</strong></td>
<td><strong>Tools</strong></td>
<td><strong>Firm performance improved</strong></td>
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<td></td>
<td>Nonmarket assets/competencies</td>
<td></td>
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<tr>
<td><strong>Hillman and Hitt 1999</strong></td>
<td><strong>Approaches</strong></td>
<td><strong>Information strategy</strong></td>
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<td></td>
<td>Transactional vs. Relational</td>
<td><strong>Financial incentive strategy.</strong></td>
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<td></td>
<td>Collective vs. Individual</td>
<td><strong>Constituency-building strategy.</strong></td>
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<td></td>
<td><strong>Tactics</strong></td>
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<td></td>
<td>Lobbying</td>
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<td>position papers or technical reports</td>
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<td></td>
<td>Contributions</td>
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<td>Grassroots mobilization</td>
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<td></td>
<td>Advocacy advertising</td>
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<td></td>
<td>Public relations</td>
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<td></td>
<td>Press conferences</td>
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<tr>
<td><strong>Hillman et al. 2004</strong></td>
<td><strong>Types of CPA</strong></td>
<td><strong>Outcomes of CPA</strong></td>
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<td></td>
<td>Proactive CPA</td>
<td>Public policy</td>
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<td></td>
<td>Reactive CPA</td>
<td>Firm performance</td>
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</tbody>
</table>
Hillman and Hitt (1999) classify political strategies into three forms: information, financial incentives, and constituency building. Each strategy consists of various tactics. Information and financial incentives involve more direct interactions with political decision-makers through knowledge and money, whilst constituency building is a rather indirect means of influence through votes and voters (Hillman and Wan 2005). In the light of the targeted area in this thesis, financial incentives and constituency building might not play a big role, as opposed to the US-American context\textsuperscript{38}, while information strategies are expected to be more prevalent.

Keim (2001a) distinguishes between strategies that simply react as regulations and laws are changed, strategies that look to anticipate these changes and incorporate them into strategy formulation, and strategies that actively seek changes in formal arrangements.

The level of CPAs varies across and even within industries (Keim and Zeithaml 1986). This is due to the two-level effect of non-market issues, that is, on firms and on industries (Baron 1995). The difference between non-market strategies (CPAs) and market strategies is that collective action is legitimate in the non-market environment whereas collusion/cartel activities in the market environment are not permitted by law under antitrust legislation (cf. Boddewyn and Brewer 1994, Baron 1995, Gale and Buchholz 1987).

Keim and Hillman (2008) point out that it is mostly larger firms that are more international in scope that are most active in the political arena\textsuperscript{39} (see also Lenway and Rehbein 1991). Keim and Hillman (2008) also point to the likely results of inaction (e.g. potential costs, competitors’ actions) determining how active businesses are in the public policy process.

Rehbein and Schuler (1995) state that the structures, routines, resources, issue salience, and stakeholder dependencies determine why and how a firm responds to its external environment. In line with Yoffie (1987), Hillman et al (2004) argue that the level of CPAs is dependent on resources. This is an important commonality the CPA literature shares with the previous IB section. The authors furthermore point out that

\textsuperscript{38} There, both financial incentives and constituency building play a role (see e.g. Oberman 1993, Brasher and Lowery 2006 and De Figueiredo and Tiller 2001, also McGrath 2005). In the EU, constituency building is aggravated due to the number of countries and languages involved, which is very different to the unilingual US context.

\textsuperscript{39} See also Bonardi et al. 2005 who mention firms in highly concentrated industries as more likely to engage in explicit political activities. This is the case of the automotive industry where the ten largest companies account for 70-80\% of world production (McLaughlin and Maloney 1999, Wells 2010).
research into firm political resources can be greatly aided by the RBV, which is echoed by Bonardi et al. (2005). Keim (2001b) also points to the importance of resources that need to be valuable, rare, inimitable and not readily substitutable in order to be sources of competitive advantage for firms’ CPAs. These resource characteristics are further discussed in chapter 4. Schuler et al. (2002) relate resources used in CPAs to the size of the firm, with larger firms possessing more clout to influence public policy according to their complex needs.

Epstein (1969) used the term “corporate political resources or assets” as early as 1969, but not within the context of the RBV (chapter 4) (see also Mitnick 1993). Corporate resources yield corporate political power, according to Schuler (2008); scarce resources are deployed to politically relevant activities in order to influence public policy (Windsor 2007). Political resources can be defined as those “assets and skills utilised in the implementation of corporate political strategies” (Jacomet 2005: 83). Both Jacomet (2005) and Dahan (2005a, b) point out that these political resources are traditionally of individual corporate nature but can also be of collective nature (genuine collective resources or pooled individual resources)40. Chapter 4 discusses the RBV and political resources in detail.

Table 2.3: Choices in Managing Business-Government Issues (Marcus et al. 1987b: 7)

<table>
<thead>
<tr>
<th>Interactions</th>
<th>Nature of Issues</th>
<th>Specific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequent</td>
<td>Non-specific</td>
<td>Trade Association</td>
</tr>
<tr>
<td>Infrequent</td>
<td>Trade Association</td>
<td>Retains Consultant</td>
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</tbody>
</table>

Marcus et al. (1987b) set up the above table for choosing between different forms for managing relations with governments. The nature of issues refers to their specificity in terms of interests’ conversion or diversion between the firm and the industry, whereby interests converge for non-specific issues and diverge for specific issues41. This thesis investigates where interests converge and diverge for three specific areas of environmental regulations (pollutant emissions, CO2 emissions, ELVs), thus asking how individual CPAs and trade association activities in the automotive industry compete with or complement each other.

40 See also Oberman (1993) and Salorio et al. (2005) for political resources.

41 Mahon (1989) uses Cobb and Elder’s definition of an issue which is “(…) a conflict between two or more identifiable groups or organizations over procedural or substantive matters relating to the distribution of positions or resources” (Cobb and Elder 1972: 35, cited in Mahon 1989: 53).
Furthermore, with respect to whether trade associations and individual CPAs are in conflict with each other, bargaining behaviour and conflictual relations was brought up in the first section as an important constituent in IB and MNE-host government relations. Salorio et al. (2005) discuss bargaining behaviour in CPAs, which is split into conflict and partnership. Dahan (2005a) also points out that corporate political strategy has two generic modes, cooperative versus adversarial. The IB literature is thus echoed and raises the question again whether CPAs are conflictual or cooperative. Bagby et al. (1987) point out that:

Rather than a strict dichotomy separating strong adversarial from close partnership, most business-government relations fall on a continuum between these extremes. (Bagby et al. 1987: 285)

Getz (1997) also distinguishes between information-oriented and pressure-oriented CPAs, that is, cooperative versus more conflictual approaches. This thesis investigates this issue by asking what kind of approach MNEs from the automotive industry are taking in their CPAs in the EU.

Jacomet (2005) emphasises that individual CPAs are not exclusive of collective action – large companies often have their own lobbying capacities while participating in trade associations at the same time. Keim and Hillman (2008) consider three strategies of business responses to public policy that depend on the issue: 1) passive reaction, 2) positive anticipation, and 3) proactive public policy shaping (see also Weidenbaum 1980). Whereas the first two strategies can be followed as members of industry associations, it is the latter strategy where companies get most active in individual CPA to shape public policy. Keim (2001b) brings to light that firms that pursue passive options perceive the public policy-making process as a given, whereas firms following a proactive option try to shape policy before it is finalised.

Hillman et al. (2004) provide a comprehensive overview and review of CPAs, but their focus is mainly on US CPAs; the EU is only treated in passing. This is a general tendency in the literature (see e.g. Barron 2010), reflected in the following quote:

Business lobbying is an American tradition (Windsor 2001: 395).

Boddewyn and Brewer (1994) also lament that the traditional scope of such research rarely goes beyond US borders which is confirmed by Windsor (2007, also Keillor et al. 2005). Furthermore, Rodriguez et al. (2006) point out that research on corporate

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42 See Yoffie and Bergenstein (1985) for a discussion on disadvantages of working within established interest groups for corporate political entrepreneurs, that is, proactive individual CPAs.
political strategies lacks MNE and IB perspectives. In order to address this gap, this thesis contributes to such research by focusing on MNEs’ CPAs.

In the context of firm-specific political resources Frynas et al. (2006) point out that research has mostly been conducted on the domestic political process in the US without a regard for the international dimension. This is where this thesis contributes to research in CPAs and political resources.

Hillman and Keim (1995) are two of the American authors who do address international variations in business-government relations, although it is in comparison to the US system. Meznar (2001) asks to what extent (if any) the nationality of firms may affect their political strategies. As this research investigates CPAs by MNEs from the Triad regions, it can be asked whether different countries of origin translate into different approaches to CPAs. This is done by Hansen and Mitchell (2001) who examine whether national practices persist in the political activities of large corporations with mixed results, thus warranting further research, which is confirmed by Barron (2010). Windsor (2001) also encourages comparative, international research into CPAs where research has been weak so far43. Furthermore, the author (Windsor 2001) points out firm and industry cases as research opportunities, which this thesis takes up by focusing on the automotive industry and the individual firms represented in Brussels as so-called capital of the EU.

Skippari et al. (2005) emphasise the North American dominance in their bibliometric analysis of CPA research in respect to journals and authors, which Meznar (2001: 330) even calls “ethnocentrism”. Skippari and his colleagues (2005) emphasise that the international perspective has been generally ignored in the field, which is missing a non-American perspective (see also Barron 2010). This is a gap this thesis attempts to fill by providing a European perspective of CPAs in the EU. The EU is a supranational institution with an increasing role in policy-making that leads to supranational CPAs (Windsor 2007). Windsor also emphasises international environmental protection as an emerging phenomenon within IB and CPAs that should be tackled by research, which is the policy area this thesis investigates44.

43 See Brasher and Lowery (2006) for variation and differences in domestic political activities.

44 With respect to environmental protection, Cho et al. (2006) link CPAs to environmental issues and assert that firms with poorer environmental performance are likely to spend more on political activities than their better-performing counterparts.
Schuler and Rehbein (1997) point out that in the study of political activities of firms and industries, various academic disciplines like Political Science and management ignore each other’s perspectives. Shaffer and Hillman (2000) use both Political Science and Strategic Management in their investigation of CPA, whereas this thesis attempts to take in three different perspectives on MNE CPAs: IB, Strategic Management and Political Science.

2.1.4 Political Science: Lobbying and Interest Representation

It has been suggested that *lobbying* as a term originates from the hotel lobby where US president Ulysses Grant (1869-77) met waiting interest representatives (Köppl 2005), although Mack (2005) points to the lobby of the Palace of Westminster in London as origin of the term, and Buholzer (1997) states that lobbying is as old as politics itself. Lobbying as a term is firmly rooted in the Anglo-Saxon political world while regarded as suspicious in other languages and cultures (McGrath 2005, Gardner 1991).

McGrath (2005) highlights that professions generally have a commonly-agreed notion of what they involve. This consensus is missing in the case of lobbyists whose activities have been described by a host of terms such as government relations, lobbying, public affairs, and advocacy; terms which mean different things to different people. One of the most frequently used definitions of lobbying is the one offered by Milbraith (McGrath 2005, see also Van Schendelen 1993):

> Lobbying is the stimulation and transmission of a communication, by someone other than a citizen acting on his own behalf, directed to a governmental decision-maker with the hope of influencing his decision. (Milbraith 1963: 8, as quoted by McGrath 2005: 17)

For Köppl (2005), lobbying is the intended influence of political decision-making processes by persons that are not involved in these decisions, which include laws, regulations, amendments and directives.

Boddewyn (1982: 12-3) defines public affairs as being

> concerned with enlisting the support and negating the opposition of significant nonmarket units (public institutions and private organizations, looser collectivities, and individuals) in the firm’s environment.

Pedler, in his book on lobbying in the EU (Pedler 2002a) defines public affairs as the “management skill that internalizes the effects of the environment in which an
organisation operates and externalizes actions to influence that environment” (Pedler 2002b: 4).

Due to the negative connotation lobbying has, Mahoney (2007) and Baumgartner (2007) use the term advocacy to mean the attempt to push public policy in one direction or another. McGrath (2005: 3) points to the term’s negative association and the perception of lobbying being somehow “illegitimate or unsavoury”. These negative connotations imply that this is a sensitive area for firms, which may impact on their willingness to disclose information (Hadjikhani and Ghauri 2001).

Lobbying has been the more commonly used term in Political Science, while public affairs seems to become more common as it is more encompassing, appropriate and perhaps not as negatively associated as lobbying. Lobbying is widely acknowledged within the Anglo-Saxon world, but not necessarily outside of it (McGrath 2005).

As the communication of information and positions to policy-mak-ers by representatives of societal or corporate interests, lobbying constitutes three basic citizen rights in democracies and is therefore a legitimate activity: the freedom of expression and information, the freedom of assembly and of association as well as the right to petition (see for example Althaus, undated; Rieksmaier 2007). McGrath (2005) and Grande (1996) also draw attention to the legitimate and even important role lobbyists play for public policy-making in a democracy.

Here, the terms lobbying and interest representation are used as these are the most common ones within the Political Science field.

**The EU lobbying context**

The EU presents a unique context for lobbying which is very different from any national policy-making context (Greenwood 2007). Within this context, most authors stress the importance of the arrival of the Single European Market and its consequences for interest representation in the EU. The Single European Act (SEA) in 1986 made way for the completion of the internal market. The Treaty on European Union in 1992 brought changes for lobbying as member states lost veto power in some economic areas and the European Parliament (EP) gained a greater role in

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45 Michalowitz (2004) points out this is specifically in relation to political consultants that firms hire.

46 It is not the intent of this thesis to explain these different contexts; they will be taken as given and the reader is referred to other publications to understand the specificities of the EU as a political entity. See for example Grande (1996), Peterson and Bomberg (1999), Young and Wallace (2000).
decision-making vis-à-vis the European Commission and the Council of Ministers (Aspinwall and Greenwood 1998, see also Coen 1997a).

In the wake of the SEA and the single market, individual firm lobbying increased – Coen (1997b) states the figure of over 200 large firms setting up direct lobbying capabilities in Brussels between 1985 and 1993. Broscheid and Coen (2003: 166) call this a “lobbying boom”. Before the SEA, interest representation was in the form of European-wide federations of national associations, so-called Euro-groups, especially in sectors such as agriculture, coal and steel where the European communities had policy-making responsibilities early on through the Treaty of Rome in 1957 (Mazey and Richardson 1993a). As European law takes precedence over national law in many areas (Van Schendelen 1993), firms have needed to move their interest representation from a national to a European level.

Importantly in the thesis context, the EU was given new competencies in the area of environmental policy, where it is considered a world leader (e.g. Michaelowa 2000, Kelemen and Vogel 2010). These new competencies have led to a growth in EU-level interest representation on this issue (Van Schendelen 1993), which Coen (2007) terms the Europeanisation of interest groups, and therefore presents a relevant context to be studied here. Pedler (2002b and c) also points to environmental issues as a growing field of studies on lobbying. Furthermore, civil society – in the form of NGOs – has gained influence in policy-making (see e.g. Michaelowa 1998) and therefore contributes perspectives on corporate lobbying in this thesis through interviews.

The environment poses one of the many challenges in the 21st century where a supranational approach might be required to find solutions such as environmental regulations (Dunning and Lundan 2008, see also Wagner 2009). Therefore, the EU as a supranational entity is an appropriate institution to choose for the context of environmental regulations. Furthermore, Calingaert (1993) points out the environment as one key area where the Commission has historically been less...
receptive to business views. It is therefore appropriate to study these policies as an area that business tries to influence.

McLaughlin and Maloney (1999: 13) use the term “antagonistic cooperation” to describe the resolution of policy issues within policy communities who work on particular issues. This reflects the previous two sections on whether the relationship between policy-makers and firms and industries is cooperative or conflictual. Wilks and Wright (1987) point out that relations between governments and industries are complex, can be controversial as well as trivial, and are characterised by tension as well as compromise. This thesis asks how the relationship between the automotive industry and the European institutions is characterised.

While Coen (2007) points to the growing Europeanisation of interest groups in the “political game” in Brussels, he also recognises that distinct “national interest models” remain. In order to verify Coen’s statement, this thesis asks whether there are differences in the lobbying of companies from different home countries. McGrath (2005) also encourages comparative research on lobbying.

In the context of national differences\(^5\), a word on the Council of Ministers is needed. It is an important institution in the policy-making of the EU: however, as it consists of the national governments of the member states, businesses and industries do not lobby the Council in Brussels, but in their respective countries (Calingaert 1993). As the focus of this thesis is to compare CPAs from different home countries and regions in one location (Brussels), the Council is not taken into account in order to keep the location variable constant\(^5\). Grande (1996) also points out that the European system of interest intermediation has its own specific features, which differ from the national level, and therefore this thesis only investigates lobbying of the genuine European institutions, such as the Commission and the EP.

Skippri (2002) highlights that lobbying studies in Political Science are often conducted from a governmental point of view, which is echoed by Hadjikhani and Ghauri (2001) who note the state perspective of Political Science literature when examining lobbying. Therefore this thesis contributes to this literature by taking a firm perspective to lobbying and interest representation. Political action and economic action in the market place are directed by fundamentally different principles and strategic imperatives (Schmitter and Streeck 1999) and thus point to the differences

\(^5\) For example corporatism versus pluralism (see Coen 1997b).

\(^5\) John and Schwarzer (2006) highlight that the Council is the least accessible institution for lobbyists.
of market and non-market strategies as elaborated in the previous two sections. This thesis therefore investigates whether differences in corporate action in the market place translate into differences in the political environment.

In contrast to associations, large enterprises are direct actors in the market and are, as a result, better equipped to provide expert knowledge that is needed by European institutions for policy-making (Bouwen 2003). McLaughlin et al. (1993) pointed out that the traditional view of European lobbying has overlooked two important features – so-called Euro-groups dominated by firms, and direct interest representation by corporations themselves. The authors pointed out a danger of a group focus in studying policy-making in the EU, which tends to ignore the primacy of corporate interests. A decade later, Bouwen (2002) continued to point out that individual political action on the part of companies was understudied. Michalowitz (2004: 105) also emphasises that research on in-house lobbyists for companies is “far less extensive” than that on Euro-groups. This thesis contributes to closing this gap by focusing on direct, individual interest representation by MNEs.

**Why? and How?**

Interest group theory argues that the democratic public policy process is an attempt to reach a compromise between the competing objectives of a number of interest groups (Getz 2001). Interests consist of values, attitudes, goals or preferences and the anticipated effects of government action on these interests make them politically relevant. Companies enter the political environment because other groups with different views are politically active (Getz 2001). Grant (1993: 32) terms the reasons for joining an association as ‘logic of influence’: when an industry is heavily affected by Community policies, corporations have an interest in influencing those policies to their favour. Van Schendelen (1993) points to insufficient information of politicians or civil servants for the lobbyist’s need to inform and to the fear of wrong decisions by public authorities for the lobbyist’s need to influence.

Bennett (1999) explains the direct lobbying of large companies in supplementing collective action of associations by pointing to corporate wishes of interests not being diluted by an association and of gaining specific information, which can be used to influence the association. Vining et al. (2005) underline that to the extent that government actions are exogenous, they are strategically unimportant from a firm perspective, but that this is rarely the case. This is in line with the suggestion of the previous sections to question the exogenous nature of government policies.
As the policy areas in which the EU has competences have grown in number, its institutions have become a focus for interest groups. Brussels is where the agenda is being shaped (Aspinwall and Greenwood 1998). As interests want to affect the outcome of the agenda, they trade information needed by the institutions against influence (Aspinwall and Greenwood 1998). Calingaert (1993) points to the lack of expertise in the Commission, which makes it rely on outside information such as from lobbyists.

An indicator of the increased importance of the EU for pressure groups is the number of MNEs that have set up permanent government affairs representatives in Brussels (Grant 1993). Nevertheless, the Political Science literature has focused on collective action by business while overlooking the independent activities of large firms (McLaughlin and Maloney 1999, based on Grant et al. 1989). In order to study the “art of lobbying”, Van Schendelen (2002: 11) suggests bringing two streams of knowledge together, Political Science and Management Science, and calls the combination EU Public Affairs Management. This thesis attempts to use the two literatures, aided by the IB perspective on MNEs.

Commenting on the state of knowledge in EU lobbying, Van Schendelen (1993: 15) indicates that prescriptive studies outbalance descriptive ones, which, together with empirical studies, are “extremely scarce”. He encourages research in five categories: network studies, policy studies, case studies, sectoral studies and country studies. The research undertaken here is carried out through empirical case studies in one sector, the automotive industry, and, thus, attempts to fill some of these gaps.

The first and initially most important target when it comes to lobbying (in) the EU is the European Commission, as this is the European institution that has the right to propose legislation (Donnelly 1993, Hull 1993). In addition to the Commission as prime target, the EP has also increased in power in recent years and thus in importance for lobbyists (John and Schwarzer 2006).

Of course, interest organizations are not so naïve as to rely solely on one channel of access (Grant 1993: 29).

The channels used are the national governments, European federations and direct contacts in Brussels, that is, the Commission (Grant 1993). Collie (1993: 226) calls it a “multi-faceted strategy” where direct representation, national and European-level associations, as well as ad hoc organisations all form part of a lobbying strategy.
Business interests

European business federations are organised according to sector, subsector or product lines, but cross-sectoral (or non-sector specific) associations exist as well (Calingaert 1993). A distinction is made between direct membership associations, where individual companies are allowed membership, and so-called Umbrella groups of national trade associations. Direct membership associations are more likely to emerge when firms are rather big in size but small in number, where the industry is internationally oriented, and where activities are influenced by EU decisions (Grant 1993: 36). Greenwood and Ronit (1994) encourage sector-based studies of interest representation in the EU, which is followed in this thesis.

Donnelly emphasises that lobbying is not a one-way process as

The Commission also needs external allies if it is to ensure that the policy proposals agreed through its complex internal co-ordination process are to be successfully translated into Community law. (Donnelly 1993: 81)

Business groups predominate in the EU, accounting for nearly two thirds of interest groups (Aspinwall and Greenwood 1998, Greenwood 2007), but are not the only interests represented in the EU. It can be pointed out, though, that business is one of the more powerful lobbies, although it does not always get what it wants (Grant 1993: 44). Business is indeed recognised as a “special” interest group because of its key role in organising the economy and the considerable amount of resources that business interests possess (Lindeque 2007: 564, John 2002). This resource perspective is a commonality all three perspectives share and therefore, the RBV is discussed in chapter 4 to provide a theoretical framework for this thesis. The amount of resources a firm possesses can be linked to its size, and the size of a firm influences whether businesses lobby individually in Brussels (Bennett 1999). Woll (2007) indicates financial resources, social capital, legal or technical expertise as well as other information as resources that are used by lobbyists.

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52 Other interests include agriculture, organised labour, consumer interests and environmentalists.

53 Or as Mahon (1989) puts it: “Conflicts in the political system are not always resolved by those organizations or individuals with the most money or, in the case of organizations, the largest membership.”

54 Newell and Paterson (1998) specifically point to financial resources as explanation for corporate influence.

55 See Dür and de Bièvre (2007) for a similar argument for group versus individual activities.
Social capital

Social capital as a resource (Bourdieu 1986) deserves more detailed attention as a major resource used by companies for lobbying. Social capital is a key organising concept in the social sciences (Coleman 1988, Putnam 1995, 2000, Fukuyama 1995, and Bourdieu 1986)\(^{56}\). A widely-accepted definition of the term is proposed by Serageldin and Grootaert (1999: 45):

> In the literature of political science, sociology, and anthropology, social capital generally refers to the set of norms, networks, and organizations through which people gain access to power and resources that are instrumental in enabling decision-making and policy formulation.

Social capital plays a role in policy-making as it can be used by lobbyists and decision-makers alike. The OECD (2001) in its publication on the role of human and social capital is less political and includes the “networks, norms, values and understandings that facilitate co-operation within or among groups”, and thus reflects the role of social capital in terms of bonding and bridging (see below). Coleman (1988, p. S98) includes firms when he defines social capital through its function:

> It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors – whether persons or corporate actors – within the structure.

In the context of this thesis, social capital enables corporate actors, that is, representatives of firms in Brussels to interact with policy-makers and with other representatives in the same industry or other (related) industries. Of particular importance in this context is information-flow capability which Coleman (1988) points out as an important form of social capital that facilitates action\(^{57}\), and trust (Bachmann and Nielsen 2009).

Whilst interaction among industry representatives constitutes bonding social capital, interaction of corporate actors with policy-makers constitutes bridging capital (Grix 2002 calls these ‘within group’ and ‘between group’ social capital\(^{58}\)). Bonding (or

\(^{56}\) For a thorough historical overview of the term and its usage, see Halpern (2005). See also Dasgupta and Serageldin (1999), and Serageldin and Grootaert (1999).

\(^{57}\) For an example of the use of the social capital concepts regarding civil society and environmental issues, see Crotty (2006a).

\(^{58}\) Here Van Tulder and Van der Zwart (2006: 28) warn that spillovers of social capital formation might not necessarily be positive as it can create entry barriers or exclude communities altogether.
exclusive) social capital is inward looking while bridging social capital is outward looking (Putnam 2000), or as Putnam (2000: 23) puts it:

Bonding social capital constitutes a kind of sociological superglue, whereas bridging social capital provides a sociological WD-40.

This dichotomy of bonding versus bridging social capital has been brought about by the networks view of the social capital literature, encompassing relationships between and within horizontal and vertical associations (Grootaert and Van Bastelaar 2002: 6, Ch. 1)\(^{59}\). Portes (1998: 7) also underlines the relational and intangible aspect of social capital, which “inheres in the structure of (…) relationships”. Nahapiet and Ghoshal (1998: 243) emphasise the network of relationships from which social capital is derived as an actual and potential resource.

Lin (2001: 6) stresses the facilitation of flow of information and exertion of influence as aspects of social capital, which the author defines as “investment in social relations with expected returns”. Grootaert and van Bastelaer (2002, Ch. 1) emphasise the critical role of trust (see also Fukuyama 1995), social interaction, and reciprocity as elements of social capital which they define more broadly as the institutions, relationships, attitudes, and values that govern interactions among people and contribute to economic and social development (Grootaert and van Bastelaer (2002: 2).

Coleman (1988) also underlines obligations and expectations as reciprocal elements of social capital. Esser (2008), too, stresses the relational aspect of social capital which he divides into relational and system capital and defines it as the value of all the “resources and benefits that an actor can obtain and control through his embeddedness in relationships to other actors” (Esser 2008: 41, see also Granovetter 1985 for issues of embeddedness)\(^{60}\).

Although Woll (2007) does not use a resource-based concept, the resources indicated by her – including social capital – relate to the typology of political resources by Dahan (2005a, b). Similarly, Van Schendelen (2002) lists expertise,

\(^{59}\) Other views within the literature include the communitarian perspective, the institutional view and the synergy view (Grootaert and Van Bastelaar 2002).

\(^{60}\) See also the discussion on political resources in Ch. 4 (section 4.3.2), especially relational resources, which relate to social capital.
networks, positions and financial means as the most frequently resources, but does not relate them to any theoretical concept\(^{61}\). This is done in chapter 4.

Greenwood and Webster (2000) point to formal EU level business associations and firms with an established government relations office in Brussels as the most visible business actors with an interest to target the EU level. Important business lobbying actors there include (Collie 1993, Eberlie 1993, Coen 1997a, Greenwood 2007):

- BUSINESSEUROPE, formerly UNICE - The Union of Industrial and Employers’ Confederations of Europe
- ERT: The European Roundtable of Industrialists
- Eurochambres: The Association of European Chambers of Commerce and Industry
- AmCham EU - American Chamber of Commerce to the European Union
- Sectoral organisations (e.g. CEFIC - European Chemical Industry Council)
- National federations (e.g. CBI - Confederation of British Industry).

The products and activities of business are the object of regulations, and therefore business necessarily plays an essential role in the policy process (Young and Wallace 2000): producers hold information that policy makers need to make informed decisions about the market situation and the proposals’ consequences.

Cowles (1996) notes interestingly that the EU Committee of AmCham, created in 1978, was the first organisation that large MNEs formed. The traditional characteristic of business interest representation in the EU is the European federation of national federations (Cowles 1996). This has also been the traditional focus for studies of EU interest representation. Coen’s (1997a) contribution is one of the first and few to study large firms as political actors in the EU as Bouwen (2002) points out\(^{62}\). In recent years, European interest representations have seen a rise in mixed membership organisations where both national federations and companies directly are represented. Prominent examples include CEFIC and ACEA, the European

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\(^{61}\) Beyers (2004) even uses the familiar term “resource-based” of the resource-based view but does not provide any discussion of literature or theory.

\(^{62}\) See Scherer et al. (2009) for a call for more research into business firms as political actors.
Automobile Manufacturers' Association. This could be seen as a consequence of the weaknesses of European-level associations\(^{63}\), as Greenwood (2007) points out.

Mixed membership is an important aspect to keep in mind, as the research looks at individual companies' activities and strategies. Collective action as such is therefore not the focus of the thesis. However, it is considered because individual action can complement association activities or compete with them and as those play an important part of an individual company's explicit strategy and activities. With respect to the relationship between individual companies and associations Calingaert (1993) draws attention to the fact that there is no distinct pattern between these two types of actors, and this thesis therefore investigates what the relationship between individual firm activities and industry association activities in interest representation is and whether these activities complement or compete with each other. The research specifically investigates companies where the make-or-buy decision for public affairs and lobbying has been made in favour of "make"\(^{64}\) and hence in-house activities. The research is therefore not concerned with external resources for lobbying, i.e. buying-in consultancies or agencies.

### 2.2 Synthesis and Conclusion

What we do not know is vaster than what we have discovered to date. At present, scholars of PA/IM/CPA have discovered the part of the iceberg above water but lack an understanding of how far it is submerged. (Schuler 2001: 351)\(^{65}\)

(…) political behavior belongs necessarily to the study of international strategy management. (Boddewyn and Brewer 1994: 137)

Ultimately, what is needed is an analysis that links both perspectives, one that shows the interrelationship between the role of politics in shaping management decision-making and the role of business in influencing governmental decision-making. (Vogel 1996)

The above quotes all illustrate the need to engage in interdisciplinary research in the area of business-government interaction, since there is still much to discover as

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\(^{63}\) These weaknesses include a lack of resources, a reactive rather than proactive lobbying approach and diverging national interests of member associations which leads to a 'lowest common denominator policy' (Grant 1993). Pijnenburg (1998) also points to the great "distance" between individual companies and Euro-federations.

\(^{64}\) Cf. Marcus et al. (1987a).

\(^{65}\) PA – Public Affairs, IM – issues management, CPA – corporate political activity (Schuler 2001).
Schuler points out. This section draws the discussed literatures together, presents an overview of the identified gaps, which this thesis attempts to fill, and discusses the terminology used.

Blumentritt and Nigh (2002) argue strongly for better integration of IB and CPAs literature: according to them the latter “rarely considers the complexities” of MNEs whereas the former “pays little attention to the management of political imperatives” (Blumentritt and Nigh 2002: 59). The international CPA literature investigates the means by which organisations interact with global political actors (Blumentritt and Nigh 2002) and thus both the IB and CPA literature are suitable to address MNE CPAs in the EU. The authors furthermore point out that MNEs are special when considering political activities (Blumentritt and Nigh 2002, see also Rugman and Verbeke 1998c). For example, Boddewyn and Brewer (1994) see governments as endogenous rather than exogenous to business activities (see also Luo 2001). Rugman and Verbeke (1998c) emphasise that a firm’s perspective on governments as either exogenous or endogenous will influence its political strategies. This thesis asks what motivates firms to engage in government relations, which should give an indication as to whether firms view public policy as exogenous or endogenous.

As early as 1988, Boddewyn (1988) had highlighted that political behaviour of MNEs was ignored or only passively treated in common models of the MNE. Governments were taken as exogenous givens to which MNEs reacted. Although he argued for an integration of political aspects into MNE theories, he failed to mention the (American) domestic CPA literature of that period, for example authors such as Epstein, Keim, Baysinger, and Zeithaml.

Wan and Hillman (2005) point out that the investigation of corporate political strategies is often limited to the domestic US context, thereby suggesting incorporating an international dimension. This thesis is attempting to fill part of this gap by investigating CPAs in an international, European context and thus contribute to the development of the CPA research area where research of MNEs’ CPAs across different countries is at an early stage. With a particular focus on the Triad regions, this thesis presents a contribution to CPA as well as to IB at the same time. Blumentritt and Nigh (2002), in line with Hillman and Hitt (1999), emphasise that the political environment of the country where firms operate influences political activities – thus it is of interest whether US and Japanese subsidiaries in the EU have adapted their CPAs to the “specialities of Brussels” or whether they still use their “home-grown approach” to lobbying. Blumentritt and Nigh (2002) point out that, although
MNEs might have global competitive strategies, host country contexts might require particular subsidiary activities in the political environment.

Blumentritt and Nigh (2002) do mention the example of the EU; however, it is not addressed in actuality, as US MNEs are at the core of their analysis. Rugman and Verbeke (1998c) distinguish between benefits of integration and of national responsiveness as an MNE’s desired outcome of business-government interactions and point out that integration benefits will be desired when dealing with supranational public agencies, which is the case in this research of EU environmental regulations. Firms with a focus on integration will prefer EU-wide regulations in an integrated market in order to have a consistent operating environment.

Rugman and Verbeke (1998c) point towards the national treatment principle which ends discriminatory treatment of home and foreign firms by governments, thus the EU is truly both home and host to firms from the Triad region. It is an “institutional reality” that governments do not unambiguously represent either a home or host country (Rugman and Verbeke 1998c: 130).

The difference between lobbying in the US and in the EU is pointed out by Cowles (1996: 345): in the US there is a more “confrontational style of lobbying” while in the EU the approach is more subtle and discreet. This is echoed by Loewenberg (2001) and Calingaert (1993). It is a commonality these three strands of literature share: all point to approaches of business-government relations ranging from confrontational/adversarial to cooperative, and therefore this thesis investigates the approaches taken by automotive MNEs lobbying EU environmental regulations.

Gardner (1991) points out the negative connotation that lobbying has in Europe and that it is rather not spoken about publicly there. In contrast, lobbying and lobbyist are value-free terms, in the US (Köppl 2005). Hillman and Hitt (1999) emphasise the different connotations of the term “lobbying”: in the US and other non-European countries lobbying implies the “provision of information to policy makers by individuals representing the firms interest”, whereas in European countries lobbying implies political action in general, and thus refers to any proactive political strategy.

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66 See also Wilkins (2007) on this point.
67 Mahoney (2007) underlines less compromise and ‘winner-take-all’ outcomes as more prevalent in the US. Loewenberg (2001) points out the differences between the US and the EU, especially in the area of environmental regulations from which the chosen case studies come (see next chapter).
What links all three areas of literature is that individual CPAs are only pursued if sufficient resources are available (e.g. Boddewyn and Brewer 1994, Keillor and Hult 2004, based on Gladwin and Walter 1980; see also Lenway and Rehbein 1991, Schuler and Rehbein 1997). The size of firms serves as a proxy for resources and political clout, which determine benefits from pursuing CPAs (Wan and Hillman 2005). The automotive industry, as one of the world’s biggest industries, consists of large MNEs and thus a resource-based approach to its lobbying activities is appropriate. The following tables present summaries of all the gaps that were identified within the three areas of literature and how the thesis intends to address these.

Table 2.4: Identified Gaps and Contribution of Thesis (dark grey shaded gaps indicate overlaps with gaps in other areas)

### a) International Business: MNE-government Relations

<table>
<thead>
<tr>
<th>Identified Gap</th>
<th>Addressed in Thesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government policies viewed as exogenous (Boddewyn 1988)</td>
<td>Thesis questions exogenous nature of government policies by asking why do firms engage in CPA</td>
</tr>
<tr>
<td>Developed countries under-researched (Luo 2004)</td>
<td>Focus on companies from Triad region in EU</td>
</tr>
<tr>
<td>Focus on FDI/Technology transfer (Hillman and Wan 2005)</td>
<td>Focus on environmental regulations as major challenge in 21st century, especially with regard to climate change.</td>
</tr>
<tr>
<td>Need for a multi/inter-disciplinary approach (Sullivan 1998a, b) (see also Political Science)</td>
<td>CPA and Political Science literature</td>
</tr>
<tr>
<td>More complicated monitoring through regulatory competition of national governments by EU (Brewer and Young 2001)</td>
<td>Thesis researches this increasingly important and complex context by looking at MNE-government relations in EU</td>
</tr>
<tr>
<td>MNE typology only corporate strategy (related: Triad regions) (Baron 1995)</td>
<td>MNE typology applicable to political strategy? (country-of-origin effect?)</td>
</tr>
<tr>
<td>Multiple stakeholders not taken into account (Dunning and Lundan 2008) (see also Political Science)</td>
<td>Interviewing representatives from MNEs, governmental institutions and civil society</td>
</tr>
<tr>
<td>Ambiguous findings: Business-government Relations adversarial or cooperative? (Rugman &amp; Verbeke 1998 b, c)</td>
<td>What is the approach of MNEs to business-government relations in EU?</td>
</tr>
</tbody>
</table>

### b) Strategic Management: Corporate Political Activities

<table>
<thead>
<tr>
<th>Identified Gap</th>
<th>Addressed in Thesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need to analyse non-US firms (Boddewyn and Brewer 1994, Keillor et al. 2005)</td>
<td>Japanese and European firms in addition to US firms</td>
</tr>
<tr>
<td>International perspective needed, analysis of non-US context (Skippari et al. 2005) Political resources only in US context (Frynas et al. 2006)</td>
<td>European perspective and context investigated, IB Political resources in EU context studied</td>
</tr>
<tr>
<td>Research on corporate political strategies lacks MNE and international business perspectives (Rodriguez et al. 2006)</td>
<td>CPA of MNEs are investigated, IB perspective included</td>
</tr>
<tr>
<td>Increasing importance of issues such as sustainability and climate change as reasons for business managers to interface with political decision-makers (Keim and Hillman 2008)</td>
<td>These areas are investigated in three environmental areas of business-government relations for automotive companies.</td>
</tr>
</tbody>
</table>
The Corporate Political Activities (CPAs) of MNEs

International environmental protection as an emerging phenomenon within IB and CPA that should be tackled by research (Windsor 2007)

Policy area this thesis investigates

Inconsistent explanations of why firms become politically engaged (Getz 2001, Salorio et al. 2005)

Why do firms engage in business-government relations/act politically? What are the motivational factors?

Association versus individual activities, role unclear (Marcus et al. 1987b) (see also Political Science)

What kind of approach do MNEs take in their government relations/CPA and how their approach differs from/ complements the industry association

To what extent (if any) does the nationality of firms affect their political strategies (Meznar 2001, Hansen and Mitchell 2001)

Do different countries of origin translate into different approaches to CPA?

Various academic disciplines like Political Science and management ignore each other’s perspectives (Schuler and Rehbein 1997)

Interdisciplinary approach in thesis by taking three areas of literature

Pressure-oriented or information-oriented (Getz 1997)

What kind of approach (cooperative or conflictual) do MNEs take in CPA?

<table>
<thead>
<tr>
<th>Identified Gap</th>
<th>Addressed in Thesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Association, not companies, primarily as lobbyists (Bouwen 2002, Salorio et al. 2005) (see also CPA)</td>
<td>Companies as lobbyists are investigated</td>
</tr>
<tr>
<td>Government point of view (Skippari 2002, Hadjikhani and Ghauri 2001)</td>
<td>Firm point of view</td>
</tr>
<tr>
<td>Contribution of civil society understudied (Michaelowa 1998) (see also IB)</td>
<td>Civil society actors are interviewed</td>
</tr>
<tr>
<td>Environmental regulations need supranational context (Pedler 2002 b and c)</td>
<td>EU as chosen context for case studies of environmental regulations</td>
</tr>
<tr>
<td>Europeanisation of interest groups or national interest representation? (Coen 2007)</td>
<td>Investigates differences between companies of different countries of origin</td>
</tr>
<tr>
<td>Research encouraged through case studies and sector studies (Van Schendelen 1993)</td>
<td>Investigation by case studies within one sector</td>
</tr>
<tr>
<td>Interdisciplinary research necessary (Van Schendelen 2002)</td>
<td>Thesis takes interdisciplinary approach</td>
</tr>
<tr>
<td>Complex relations between governments and industries (Wilks &amp; Wright 1987, McLaughlin &amp; Maloney 1999)</td>
<td>What approach is taken by MNEs in the EU?</td>
</tr>
</tbody>
</table>

The following table summarises the gaps common to all three strands of literatures.

Table 2.5: Joint research gaps

<table>
<thead>
<tr>
<th>Summary of joint research gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Interdisciplinary-multidisciplinary approach needed (Sullivan 1998a, b, Rodriguez et al. 2006, Van Schendelen 2002)</td>
</tr>
<tr>
<td>➢ Importance of researching environmental regulations (Behrman 1997, Windsor 2007, Pedler 2002b/c)</td>
</tr>
<tr>
<td>➢ EU as supranational research context (Bremer &amp; Young 2001, Blumentritt &amp; Nigh 2002, Greenwood 2007)</td>
</tr>
<tr>
<td>➢ Business-government relations confrontational or cooperative? (Rugman &amp; Verbeke 1998b/c, Getz 1997, McLaughlin &amp; Maloney 1999)</td>
</tr>
</tbody>
</table>

Regarding the terminology, corporate political activities (CPAs) is the main term used, while government relations or interest representation and lobbying are also
used. Corporate Political Activities is an academic term specific to a certain type of literature that could be misunderstood by laymen because of the "political" connotation, while lobbying is used by practitioners and in everyday language, despite its negative connotations. Government relations and interest representation seem to have more neutral connotations than the other two terms.

Drawing the discussed areas together, all of these terms are here understood to:

- Include any intended firm action with the purpose of influencing governmental policy or processes (based on discussions of the term CPAs)
- Include an aspect of communication (based on the definition of lobbying)
- Include activities that are specifically influencing governmental policies but also activities that keep relations with governments on an ongoing basis as a pre-condition for influence (based on the relational aspect of business-government relations).

This is the basis upon which this thesis proceeds from hereon to answer the following research questions that have emerged from the discussion so far:

- Why do firms engage in CPAs? (RQ1)
- How do companies organise and approach CPAs? (RQ2)
- What is the relationship between individual firm activities and industry association activities in interest representation? (RQ3)
- How do corporations view environmental regulations? (RQ4)
- How and why do CPAs differ between MNEs from the Triad regions? (RQ5)

The literature review in the chapter showed that CPAs have been researched in the areas of IB, Strategic Management and Political Science. It demonstrated that there are various gaps (outlined above) that can only be addressed by an interdisciplinary approach. Accordingly, such an approach is taken in this thesis to fill those gaps. An underlying assumption of all three strands of literature is that only firms with a sufficient amount of resources (e.g. financial resources, expertise, social capital) can engage in business-government relations. The RBV, therefore, underpins the investigation of this thesis and chapter 4 discusses these in general and in application to CPAs. Before that, environmental regulations in the EU and their impact on the automotive industry are discussed.
Environmental Regulations in the EU and their Impact on the Automotive Industry

3.1 Environmental Regulations

Environmental pollution, and in particular climate change, are issues that inherently have a moral as well as a scientific dimension. Science provides the necessary understanding of the issues whereas moral philosophy concerns the “duty to ensure that future generations are treated at least as well as our own on grounds of inter-generational equity” (Helm 2003: 350). This chapter looks at environmental regulations generally, and then considers the EU and the CPA perspective to the matter, before it moves on to the automotive industry and the three chosen regulatory areas – pollutant emissions, CO2 emissions and ELVs.

Between the previous chapter on the background in the literature regarding CPAs of MNEs and the following chapter on the RBV as chosen theoretical lens, this chapter serves to put the thesis in a practical, industrial context: firstly, in the context of environmental regulations – particularly in the EU – which have grown in importance due to concern over environmental pollution, and secondly, in the context of the automotive manufacturing as an industry that is particularly confronted with challenges posed by environmental regulations. Different environmental standards that the industry has to meet are often of a contradictory nature in their technical requirements. This leads to the research questions of how companies view environmental regulations (RQ4) and how and why their CPAs differ across different environmental regulatory areas (RQ5).

3.1.1 General Aspects of Environmental Regulations

The increase in environmental regulations has been attributed to society’s concern over negative environmental impacts of business activities (Rugman and Verbeke 1998a). Conventional wisdom claims that economic growth and rigorous pollution abatement measures are mutually exclusive, as environmental measures will

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68 For more literature on the economics of environmental regulations see e.g. Grubb et al. 1999, Helm 2003. Environmental management in corporate operations is not studied here, as this is a separate topic.
increase costs and lower profits (Wurzel 2002: 14, Simpson and Bradford 1996). Society’s desire for higher environmental standards has therefore been met with opposition from industrial groups (Farzin 2003). Traditionally, the relationship between businesses’ competitiveness and environmental objectives has been conceived as a trade-off between private costs and social benefits, and thus as a kind of “arm-wrestling match” (Porter and Van der Linde 1995a: 97). Researchers have argued that increased environmental regulations could possibly have unproductive investments, higher costs and possible losses of competitive advantage as a consequence (Walley and Whitehead 1994, Aragón-Correa and Sharma 2003). This assertion is contested by Porter and van der Linde (1995a) through the so-called Porter Hypothesis which states that tougher environmental standards – if properly designed – can lead to more innovation and thus to more economic benefits for corporate environmental leaders (“first-mover advantage”). This is particularly the case for companies in a triad-based economy, as Rugman and Verbeke (1998b) point out, since companies from smaller economies sell more abroad than in their respective home countries. The thesis investigates the research question how companies in the automotive industry view environmental regulations – as costs or as opportunities for innovation (RQ4).

The general principles of environmental regulations comprise the precautionary principle, the prevention principle, rectification of damage at source, and the polluter-pays principle (Krämer 2000; see also Papadakis 1996). There are different “standard-setting philosophies” concerning principles of environmental regulations which differ in the EU member states, so that Germany for example has favoured the precautionary principle and Best Available Technology while Britain has favoured environmental quality objectives and Best Practicable Means (Wurzel 2002: 19f).

3.1.2 Environmental Regulations in the EU

Environmental regulations in the EU have grown immensely in number over the past two decades and pose new challenges for policy-makers and industry (Wagner 2009, see also figure below). Areas generally covered under environmental legislation include waste, noise, air, soil, nature, water, and chemicals (DG Environment 2007; Krämer 1997). The EU is considered an international environmental leader – its environmental regulations are among the world’s strictest and most ambitious ones (Kelemen and Vogel 2010).
Environmental policy on the European level was not mentioned in community legislation until the Single European Act (SEA) of 1986, which came into force in 1987 (Wurzel 2002: 75). It was then that environmental measures were given a separate legal basis (Collier 1996, Young and Wallace 2000). The SEA enforced a high level of protection in proposals concerning environmental protection and contains the principles mentioned above (Young and Wallace 2000).

The Treaty of Maastricht (Treaty on European Union) of 1992 (in force in 1993) introduced qualified majority voting (QMV) to environmental policy, and thus strengthened the area further (Collier 1996). The Treaty of Amsterdam of 1997 (in force in 1999) moved the protection of the environment from being a minor policy goal to one of the main goals of the EU, even stating it in its preamble (Roth-Behrendt and Detken 2002).

Wettestad (2005: 11) points out that environmental policy on a European level is often the result of one or more “green” member states who initiate the levelling of the “European regulatory playing field” which also reduces the institutional mismatch between domestic and EU policy. There are three main legal instruments in EU environmental policy: directives, regulations, and decisions (Wurzel 2002: 75). Regulations and decisions are directly applicable, whereas directives – which form the majority of EU environmental legislation – have to be translated into national law before their implementation.

So-called environmental action programmes played a role at a European level as early as the 1970s, long before they received legal foundations in the 1980s. The first
of these programmes took place from 1973 to 1976\textsuperscript{69} (Roth-Behrendt and Detken 2002). During the 5\textsuperscript{th} environmental action programme, in 1996, the European Commission issued a communication on Environmental agreements, which paved the way for voluntary agreements (VAs). Legal direct regulation is rather a ‘command and control’ type of regulation whereas VAs are better characterised by a ‘carrot and stick’ approach (Skjærseth 2000). The Commission communication thus marked a switch from a prescriptive ‘thou shalt not’ to a ‘let’s work together’ approach and enhanced the mix of policy instruments, although the tool is regarded as a supplement to and not a replacement for other tools (European Commission 1996a, b). Skjærseth (2000) points out that there is a clear advantage of environmental VAs, namely their capacity to develop constructive co-operation between authorities and target groups. Other advantages include their cost-effectiveness and quicker goal achievement. The disadvantages include the possibility of more lenient objectives, the lack of effective enforcement mechanisms and potential free-rider problems. The EU guidelines were developed in line with these benefits and risks, and include criteria such as clearly defined goals, a limited number of contracting parties, monitoring of progress, and enforcement mechanisms in case of failure to ensure their viability (European Commission 1996a, b). VAs are of relevance in this thesis for CO2 (see below).

3.1.3 CPAs with Regard to Environmental Regulations

According to Rugman and Verbeke (1998a), research on MNE environmental strategies is vital as MNEs dominate in pollution-intensive industries such as petroleum and chemicals (see also Levy 1995). Environmental legislation in the EU is most costly for manufacturing and energy production industries (EEA 2003); their political involvement thus takes place for obvious reasons as Markussen and Svendsen (2005) illustrate. Boyd (2002) as well as Pedler (2002c) point out, however, that industries often do not speak with one voice, which reflects scientific and policy controversies over the issue.

Stigson (1997) emphasises that industry is part of the solution for environmental and climate change issues. Fierce resistance to the issues by business in the early 1990s

\textsuperscript{69} The latest is the 6\textsuperscript{th} environmental action programme which started in 2001 and which forms the basis for European environmental policy over the following decade (2002-2012). Its key word is the concept of sustainable development and the integration of social progress, economic growth and environmental protection (Roth-Behrendt and Detken 2002).
changed to a less opposing stance towards the mid and late 1990s. Whereas fossil fuel as well as most manufacturing and processing industries opposed climate change regulation, it was insurance companies that sounded the bell for support, threatened by weather-related losses (Grubb et al. 1999: 257).

Levy (1995) argues that MNEs are faced with regulations that vary from country to country which force them to make choices between differentiated or standardised responses. For this research this argument could be translated into an expectation that MNEs in the EU would work (or would have worked) towards single European environmental standards, which would make their operations “easier” and more consistent across this bloc of regional economic integration.

MNEs as larger firms also have more resources to utilise CPAs (Levy 1995, Lenway and Rehbein 1991). Thus, it is more advisable to analyse MNEs’ political behaviour rather than smaller firms’ political activities. Wurzel (2002) points out that the involvement of corporate actors in environmental policy-making in the EU varies from sector to sector. They do play a very important role in EU policy-making. Industry, however, is not a homogenous actor: there are ‘corporate environmental leaders’ as well as ‘corporate environmental laggards’ (Wurzel 2002). It is therefore asked how companies view environmental regulations (RQ4). According to Wurzel (2002: 261), “the power and knowledge resources of corporate actors are considerable”. The kind of resources the corporate actors in the automotive industry use in their attempts to influence environmental policy in the EU is examined in this thesis (RQ6).

3.2 Application of CPAs and Environmental Regulations in the EU to the Automotive Industry

Of all the areas of public policy, it is the environment where the European Union has probably the greatest daily impact on the way companies go about their business. (FT 2002)

The regulatory environment is one of the major determinants of competitiveness of the automotive industry as it affects almost all aspects of doing business (European Commission 2004). This section gives an overview of the industry and how it is affected by environmental regulations in the EU. This forms the basis of the

70 Those would rather engage in political activities through trade associations (Schuler 1996).
71 See for example Michaelowa (2000) for a comparison of sectors regarding EU climate policies. See also Polk and Schmutzler (2005) and Gullberg (2008) for lobbying in the EU regarding environmental and climate policies.
investigation into the ways in which companies respond to such policies through pre-regulatory CPAs (RQ5).

### 3.2.1 The Automotive Industry

Over a period of more than 100 years the automotive industry has developed into one of the most global industries, and has become the world’s largest manufacturing industry (Nieuwenhuis and Wells 2003). The automotive value chain is made up of vehicle manufacturers – the most important players and focus of this thesis – material and component suppliers, distribution and retailing and after-sales services. In general the industry is characterised by high fixed costs in factories and product development as well as by high levels of over-capacity (Nieuwenhuis and Wells 2003, FT 2011a).

It was selected for this thesis for several reasons:

- The industry is not only the world’s largest manufacturing industry, but a motor vehicle also represents the most complex consumer decision for buyers.\(^\text{72}\)

- The industry is the biggest industry in terms of R&D (research and development) expenses (accounting for 24% of industrial R&D activity, ACEA 2005, 2006)

- It accounts for 17% of total tax revenues in the EU, for 6-7% of EU manufacturing output, and 7% of European manufacturing employment (McLaughlin and Maloney 1999, John and Schwarzer 2006)

- It faces significant market and technological challenges on account of climate change (Levy and Egan 2003) and other environmental regulations both in voluntary and legally binding form.

- All major global car companies operate in Europe, that is, they not only sell but also produce in Europe. This makes it possible to compare European MNEs with US and Japanese subsidiaries in one location.

\(^{72}\) According to the German newspaper Zeit this is the most difficult decision normal consumers face in their life time apart from the choice of a spouse and the purchase of property (ZEIT 2006).
The automotive industry, more than most industries, illustrates the significant irreversible shift of decision-making power from member states to the regional EU level (McLaughlin and Maloney 1999).

The majority of the companies in the industry are represented politically in the EU, that is, in Brussels, as well as in several member states thus providing an opportunity to research their CPAs comparatively in one location.

The industry is a regular participant in the EU policy process (McLaughlin and Maloney 1999) and has been the subject of lobbying studies in Political Science literature, which makes it possible to compare findings and to adjust the approach to a business and strategy research setting.

The focus is on the vehicle manufacturers (OEMs – Original Equipment Manufacturers) as they are the most important players, being more visible and less fragmented than the supplier side. Fragmentation brings with it smaller sizes of companies which tend to be politically represented at a collective rather than individual level. As the focus is on individual CPAs, the major car producers as MNEs offer the best possibility to research this field – 11 OEMs have representative offices in Brussels, all of which have been interviewed directly (10 cases) or indirectly (one case), thus the whole population of politically active automotive MNEs has been covered. The following tables show the biggest producers worldwide in terms of sales volumes. These tables already indicate the changing nature of the competitive environment of the industry during the course of this study, in terms of shifts in alliances and changes in ownership, illustrated by Daimler’s separation from Chrysler in 2007, which in turn filed for bankruptcy (as did GM) in 2009 before entering an alliance with Fiat in the same year. Examples of changes in ownership include Ford’s sale of Jaguar/Land Rover to Tata from India in 2008 and of Volvo to Chinese company Geely in 2010 as well as GM’s sale of Saab to Dutch company Spyker Cars in the same year (source: Just Auto).

73 The ten biggest companies account for approximately 70-80% of the car production market (McLaughlin and Maloney 1999, Wells 2010).
Table 3.1: Motor vehicle producers by company, 2005 and 2008 (ILO 2006, OICA 2008, own calculations)

<table>
<thead>
<tr>
<th>Company</th>
<th>Production ('000)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Motors</td>
<td>9,097</td>
<td>13.69</td>
</tr>
<tr>
<td>Ford-Mazda</td>
<td>7,785</td>
<td>11.71</td>
</tr>
<tr>
<td>Toyota</td>
<td>7,338</td>
<td>11.04</td>
</tr>
<tr>
<td>Renault-Nissan</td>
<td>6,111</td>
<td>9.19</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>5,211</td>
<td>7.84</td>
</tr>
<tr>
<td>DaimlerChrysler</td>
<td>4,815</td>
<td>7.25</td>
</tr>
<tr>
<td>Honda</td>
<td>3,436</td>
<td>5.17</td>
</tr>
<tr>
<td>Peugeot Citroen</td>
<td>3,375</td>
<td>5.08</td>
</tr>
<tr>
<td>Hyundai-Kia</td>
<td>3,091</td>
<td>4.65</td>
</tr>
<tr>
<td>Others</td>
<td>16,203</td>
<td>24.38</td>
</tr>
<tr>
<td><strong>Total in 2005</strong></td>
<td><strong>66,465</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company</th>
<th>Production ('000)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota</td>
<td>9,238</td>
<td>13.28</td>
</tr>
<tr>
<td>GM</td>
<td>8,283</td>
<td>11.91</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>6,437</td>
<td>9.25</td>
</tr>
<tr>
<td>Ford</td>
<td>5,407</td>
<td>7.77</td>
</tr>
<tr>
<td>Honda</td>
<td>3,913</td>
<td>5.63</td>
</tr>
<tr>
<td>Nissan</td>
<td>3,395</td>
<td>4.88</td>
</tr>
<tr>
<td>PSA</td>
<td>3,325</td>
<td>4.78</td>
</tr>
<tr>
<td>Hyundai</td>
<td>2,777</td>
<td>3.99</td>
</tr>
<tr>
<td>Suzuki</td>
<td>2,624</td>
<td>3.77</td>
</tr>
<tr>
<td>Fiat</td>
<td>2,524</td>
<td>3.63</td>
</tr>
<tr>
<td>Others</td>
<td>21,638</td>
<td>31.10</td>
</tr>
<tr>
<td><strong>Total in 2008</strong></td>
<td><strong>69,561</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

In the EU the production of motor vehicles is highly concentrated, with 45% of total value added generated in Germany, 17% in France, 11% in the United Kingdom, 7% each in Italy and Spain, and 6% in Sweden (John and Schwarzer 2006). It has to be added that these figures do not represent the manufacturing output of solely indigenous producers, as for example Spain no longer has any Spanish-owned car firms operating in Spain.

In the EU, where they remain of fundamental economic importance (McLaughlin and Maloney 1999), automobile companies are subject to a whole range of regulations – regulations specifically designed for the industry as well as regulations more generally for business and other sectors. Consequently, there is a tradition of automobile interest representation in the EU (see Spell 2000, McLaughlin and Maloney 1999, Mazey and Richardson 1993b, McLaughlin and Jordan 1993). Before the founding of ACEA, the European Automobile Manufacturers’ Association, in 1991, the interests were represented by two different organisations: The Liaison Committee of the Automobile Industry of the Countries of the European Communities (CLCA), founded in 1958 as an offspring of the Organization of International Automobile Constructors (OICA); and The Committee of Common Market Automobile Constructors (CCMC), formed in 1972\(^2\) (McLaughlin and Jordan 1993, McLaughlin and Maloney 1999). The first working priority of ACEA was the increasing threat of

\(^2\) CCMC was set up out of a dissatisfaction of direct company representation in the CLCA and a concern of European companies that Ford Europe and GM would lobby for adopting US emissions regulations through their membership in national trade associations and hence CLCA (McLaughlin and Maloney 1999). Although the two interest groups cooperated and had their respective areas of strength – CCMC concentrated on technical matters while CLCA focused on legal and fiscal matters, relations became increasingly strained after the SEA in 1986 (ibid.) and led to the demise of the two organisations in 1990 and the formation of ACEA in 1991.
Japanese imports (Weber and Hallerberg 2001). Only later did the focus shift towards other issues, especially environmental regulations (see below). Other regulations facing the industry concern areas such as safety issues (driver, passengers, and pedestrians), transport networks, health, type approval, competition policies, technical harmonisation and standardisation, and employment rights.

Environmental regulations represent trends that already have an impact on the automotive business and will continue to do so in the future (cf. Nieuwenhuis and Wells 2003: 3). They have rarely been addressed, however, in a business context, according to Nieuwenhuis and Wells (2003: 4), although this is becoming increasingly important:

It is important because business and industry are the key to moving society towards more sustainable economic activity.

As the authors demonstrate, the existing “automobility system” is not sustainable with two major factors determining car industry developments in the twenty-first century. The first question is how to overcome the chronic lack of profitable volume car production; the second factor, however, which is to be researched in this thesis, is how to deal with the increasing environmental pressures on the trade, of which Nieuwenhuis and Wells (2003) count CO2 emissions as a main factor. One of the ways to deal with possibly contradictory environmental pressures is engaging with the political decision-makers who impose such regulations on the industry. These pre-regulatory CPAs are the subject of the chosen areas studied.

The contemporary automotive industry, while a source of wealth and employment as well as contributing to the movement of people and goods, generates huge environmental and social burdens (Nieuwenhuis and Wells 2003: 68).

Environmental regulations have grown immensely in number and pose new challenges for policy-makers and industry with the issues of pollutant emissions (Euro norms), global warming (CO2 emissions) and recycling (ELVs) (Wagner 2009). Eisenhardt (1989) advocates choosing cases such as extreme situations or polar types. The regulatory areas chosen for this thesis would not normally be called extreme or polar. However, as they represent significant trade-offs for the operations in the industry, they are to a certain degree polar: Reductions in CO2 and pollutant

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75 Weber and Hallerberg (2001: 179) point out that EU car manufacturers are confronted with fairly high economic competition while their transaction costs for the period under investigation decreased over time.
Environmental Regulations in the EU and the Impact on the Automotive Industry

Emissions are in principle not compatible as reductions in pollutant emissions lead to increased CO2 emissions and potentially *vice versa*. Similarly, reductions in CO2 require lighter vehicles, whereas increased recycling rates for ELVs require higher contents of steel – easier to recycle than plastics – thus resulting in heavier cars. A ‘strategy of diverse sampling’ (Eisenhardt 1989: 537) was therefore followed to cover a broad range of environmental regulations for the automotive industry. Yin (1994: 45) argues likewise that the decision for a multiple case study should not be taken lightly: “every case should serve a specific purpose within the overall scope of inquiry”. Further to the trade-offs discussed above (where the policy areas are in some respects complementary so that differences are better seen), it can be added that the ELV directive is the first regulation of its kind, the CO2 policy area serves as the only VA in the automotive sector, and the Euro norms on pollutant emissions consist of a series of directives that were successively tightened.

This demonstrates that the three areas impact on the automobile industry in different and even opposing ways. These environmental policies are thus expected to pose excellent areas for pre-regulatory CPAs of automobile enterprises, as there are different emphases of interests by the various manufacturers. In the investigation, the research question is posed how and why (pre-regulatory) CPAs differ across these different areas of environmental regulations (RQ5). The areas are now introduced in turn.

### 3.2.2 Area 1: Obligatory Emission Reductions – The Air Quality Agenda and the “Euro Norms” on Pollutant Emissions from Motor Vehicles

EU efforts to curb exhaust emissions (also called pollutant or toxic emissions) date back to the 1970s (Pedler 2002c), and air quality concerns consequently led to the regulations of those emissions. Successive tightening of the regulations has placed continuing technical demands on the car industry (Nieuwenhuis and Wells 2003). Such tightening demands have not always been coordinated with other policies, which therefore, as a whole, have not always been coherent and consistent in terms of their technical implications, as will be discussed here and in the findings.

During the early 1990s, tightened emission standards triggered the introduction of catalytic converters on new cars. Catalysts (two-way and three-way) can cut harmful emissions by around 50% (Nieuwenhuis and Wells 2003: 147, FOE 1997).
process leading up to the introduction of catalytic converters was not uncontroversial, with debates about whether to follow US standards or regulations of the United Nations Economic Commission for Europe in Geneva. This also involved arguments over the catalytic converter versus the lean-burn engine (Friedrich et al. 2000).

The so-called Euro norms were introduced in 1991 with the consolidated directive (91/441/EEC), which set mandatory limits (Euro 1) coming into effect in 1992/1993. The next directive (94/12/EC) put forward Euro 2 standards for 1996. Both directives allowed for the adoption of national fiscal incentives to accelerate the introduction of cars complying with the standards (Friedrich et al. 2000, Acid News 2004).

Meanwhile, with the Auto-Oil Programme (AOP) in 1993 the EU took a “tripartite” approach to cost-effectively reducing air pollution, which involved the European Commission, the oil industry and automobile manufacturers (Friedrich et al. 2000). This meant that the focus was not only on output (exhaust emissions), but also on input as fuel quality affects emission levels (Pedler 2002c). The so-called Auto-Oil package included legislation on motor fuels for the oil industry and vehicle emission targets for the car industry. The most important part of the package were limit values for emissions from new cars for 2000 and 2005 – the Euro 3 and Euro 4 standards agreed in 1998 in the directive (98/69/EC)78 79.

As part of the EU clean air strategy the Commission proposed standards for Euro 5 in 2005 with the aim of coming into effect in 2009. These were passed in late 2006 at the same time as Euro 6 standards (coming into force in 2014) as follow up for Euro 5 to create better lead times and greater legislative certainty for manufacturers.

Pollutant emissions not only have set standards to achieve in contrast to CO2 emissions (see below), there are also trade-offs between reductions in pollutant and CO2 emissions: this is due to technological issues whereby reduced pollutant emissions lead to increased CO2 emissions (Plotkin 2001). These trade-offs pose serious difficulties for the automotive industry as this means making environmental

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78 In total, the Auto-Oil I Programme was made up of the following legally binding measures: (1) car emission limits for 2000 and 2005; (2) petrol and diesel fuel standards for 2000 and 2005; (3) emission limits for vans; (4) emission limits for lorries; (5) maintenance, inspection and testing requirements (Friedrich et al. 2000). See also Acid News (2004).

79 The main regulated exhaust emissions, which have to attain a standard, are carbon monoxide (CO), Hydrocarbons (HC), Nitrous Oxide (NOx) and particulate matter (PM). The targets differ between petrol and diesel cars, and particulate matter only relates to diesel cars (Nieuwenhuis and Wells 2003). The fuel quality standards concern most importantly Sulphur for both diesel and petrol and Benzene for petrol. Other substances include Aromatics, Oxygen, PAHs (polycyclic aromatic hydrocarbons), and Olefins (Friedrich et al. 2000, Pedler 2002b).
efforts on several fronts, which cannot necessarily all be achieved at the same time, thus creating uncertainties for companies regarding which issues to focus on.

3.2.3 Area 2: Voluntary Emission Reductions – The Climate Change Agenda and CO2 from Cars

Although a controversial issue among scientists for years, most of them now agree that greenhouse gas (GHG) emissions have caused and will continue to cause climate change (Grubb et al. 1999, Compston 2009). Carbon dioxide (CO2) is one of the major causes of climate change, which has become one of the most salient and daunting environmental problems (Grubb et al. 1999: xlii, Collier 1996). Already in the late 19th century scientists suggested that the earth’s surface was warmed through an increase of CO2 in the atmosphere (Grubb et al. 1999: 3). The Kyoto Protocol – which was developed following the United Nations Framework Convention on Climate Change (UNFCCC) in 1992 – was signed in 1997 and came into force in 2005. Following up on the UNFCCC, the European Commission set out a strategy on climate change in 1995 which called for a stabilisation of CO2 at 1990 levels by 2000 (European Commission 1995a). This strategy included measures on CO2 reduction from passenger cars as their CO2 emissions then accounted for 50% of transport CO2 emissions and for 12% of total CO2 emissions in the EU (European Commission 1995b). Among the fiscal and non-fiscal options for emission reductions, a three-pillar strategy was designed of which a cornerstone is the technological improvement of fuel efficiency through a VA between the Commission and the car industry. Two complementary measures concern consumer behaviour influence: fuel-economy labelling and incentives through vehicle taxation (European Commission 1995b). The VA between the Commission and ACEA represents a significant part of the EU’s commitment under the Kyoto Protocol (Skjærseth 2000). The agreement was to reduce CO2 emissions to 140g/km by 2008 from a late 1990s average of around 170g/km (Nieuwenhuis and Well 2003). It was negotiated in 1997 and 1998, and accepted in 1999.

Nieuwenhuis and Wells (2003: 13) highlight CO2 as the main issue for the automobile industry in the 1990s and see it to continue to be a prime matter:

The perceived need to reduce emissions of carbon dioxide in order to avert global warming is now the main agenda driving the car industry in Europe and the Far East.

According to the authors, the CO2 agenda is starting to change the nature of the vehicles people drive. The VA is “the most influential force” in this agenda
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(Nieuwenhuis and Wells 2003: 13). The producers of Japan and South Korea also agreed to the same CO2 reductions (140g/km) until 2009, through their associations JAMA and KAMA.

The CO2 agenda provides new challenges for industry as reducing CO2 emissions requires lighter vehicle weights, whereas the industry has been used to “Buddist\(^{80}\) mass car making” where mainly steel is used (Nieuwenhuis and Wells 2003: 110). While a bigger steel proportion increases the recyclability of the vehicles, and thus makes compliance with the ELV directive (see below) easier, it leads to heavier cars that emit more CO2 emissions, which are directly linked to fuel consumption and thus fuel efficiency.

The problem for the industry is that, even though individual engines are becoming more efficient than ever before in terms of torque and power per cubic centimetre of cubic capacity, these cubic capacities have increased over time and move heavier cars than the average vehicles in the 1970s and thus emit more CO2 (Nieuwenhuis and Wells 2003: 189). The industry is thus confronted with a fundamental challenge to its traditional paradigm of building evermore faster, larger and more efficient cars based on internal combustion engines as the CO2 agenda forces it to consider the production of lightweight vehicles not necessarily based on internal combustion propulsion. This could implicate a paradigm shift.

In analyses of whether the agreement meets the guidelines and criteria developed by the European Commission in its Communication on Environmental Agreements (1996a, b) several authors criticise the ACEA-agreement for lacking enforcement mechanisms (Volpi and Singer 2000, Skjærseth 2000). Skjærseth (2000: 75) even goes as far as saying that the requirement of sanctions was “sacrificed”.

CO2 emissions were not regulated legally until 2009 as there was no set emissions standard to be achieved (Nieuwenhuis and Wells 2003: 170). This is in contrast to above discussed regulations on pollutant emissions where set amounts have to be achieved. This situation changed in 2009 after the completion of the data collection for this thesis (2007), when a legally binding, regulatory solution was passed for CO2 emissions from passenger cars (2009/443/EC). Having legally binding policies in

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\(^{80}\) Mass production techniques in the automotive industry were introduced by Henry Ford, and Edward Budd developed welding and joining techniques for the welded all-steel body (Nieuwenhuis and Wells 1994) – hence the term “Buddist”.
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place for both CO2 and pollutant emissions thus intensifies the pressure on the car industry to balance these contradictory requirements as pointed out above.

3.2.4 Area 3: End-of-life Vehicles – The Waste Reduction Agenda and Scrap Cars

The ELV directive (2000/53/EC) forces producers to take a whole-life view of their products. This development was prompted by concerns in Germany in the early 1990s about running out of landfill capacity by the year 2000 (Nieuwenhuis and Wells 2003). This led to an increased interest in producer responsibility for ELVs or ‘product stewardship’, where manufacturers remain responsible for their products during their whole useful life and beyond (Nieuwenhuis and Wells 2003). In the EU, 12-13 million vehicles are scrapped every year (Nieuwenhuis and Wells 2003), generating between 8 and 9 million tonnes of waste products, which are not easy to discard (European Commission 2006a). In 1997, the Commission first proposed the directive, which was adopted in October 2000 and took effect in 2003. These three years saw famous lobbying activities of automobile manufacturers and controversial negotiations, which are discussed and analysed in more detail in chapters 7 and 8.

The ELV directive forces the industry to move towards a product stewardship model (Smith and Crotty 2008) and thus has far-reaching consequences for companies (Nieuwenhuis and Wells 2003). It requires car manufacturers to take back scrap cars free of charge and sets targets for the reuse, recycling and recovery of vehicles and their components (European Commission 2006a). Furthermore it introduces stepwise bans on lead, cadmium, mercury and hexavalent chromium in car manufacture (ENDS Daily, 24.05.2000).

As producers face additional costs at some future stage, there are incentives to minimise these costs by prolonging the life expectancy of cars and postponing the moments when these costs are incurred (Nieuwenhuis and Wells 2003).

The ELV directive is part of a host of directives that deal with different ‘streams’ of waste (EurActiv 2006, see figure below). In 2005 the Commission presented its new Thematic Strategy on Waste Prevention and Recycling, which aims at streamlining existing legislation within a single, comprehensive framework. The EU’s approach to waste management is based on three principles: 1. waste prevention, 2. recycling and re-use, and 3. improving final disposal and monitoring (European Commission 2006a). The sequence of waste prevention in the first place, reuse, recycling or composting, recovering energy and landfill disposal is also called the waste hierarchy.
from best to worst option (European Commission, undated). The figure below illustrates how the ELV directive is placed within the overall waste framework of EU legislation.

Motor vehicles consist of different materials, metals like iron and steel (main content), plastics, rubber, glass, fluids and lubricants, electric cables, insulation, paint, non-ferrous metals and other materials (Lucas 2001, based on Kuhndt and Bilitewski 2000). The degrees of recyclability vary from material to material, thus in itself creating additional challenges for the automotive industry and related industries. Increasingly, plastics – which are the most difficult parts to recycle – are being used in car manufacturing (ENDS Daily, 21.07.2000).

The better recyclability degree of the traditional material steel makes it a preferable component in light of the ELV directive. However, higher steel contents lead to heavier vehicle weights, which in turn negatively affect fuel consumption: heavier cars consume more fuel, which in turn causes increased CO2 emissions (see above). These three areas of environmental regulations thus put conflicting pressures on the automotive industry which has to make efforts to achieve technical demands on three different fronts which do not necessarily add up to consistent environmental targets.
3.2.5 Timeline of Environmental Regulations in the EU for the Automotive Industry

Following the discussion of the three areas, a timeline is provided to give an overview of the timeframe and therefore a chronological background and context of the investigated areas of environmental regulations. This table illustrates that the automotive industry has been confronted with challenges in these three areas in a parallel manner, which has not made it possible for the sector to deal with each individual area in isolation, thus underlining the contentious nature of these regulations for the industry.

Table 3.2: Timeline of chosen environmental areas

<table>
<thead>
<tr>
<th>Year</th>
<th>Pollutant Emissions</th>
<th>CO2 Emissions</th>
<th>ELVs</th>
<th>Other relevant events</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s</td>
<td>1970 First emissions limits</td>
<td></td>
<td></td>
<td>First Environmental Action Programme</td>
</tr>
<tr>
<td></td>
<td>1971-1993 progressive reductions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td></td>
<td></td>
<td></td>
<td>EU2 opens office in Brussels</td>
</tr>
<tr>
<td>1990</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>Euro 1 passed</td>
<td>First calls to reduce car CO2</td>
<td></td>
<td>EU1 opens office in Brussels</td>
</tr>
<tr>
<td>1992</td>
<td></td>
<td></td>
<td></td>
<td>Single European Market (Dec.)</td>
</tr>
<tr>
<td>1993</td>
<td>Euro 1 in force</td>
<td></td>
<td></td>
<td>Treaty of Maastricht in force → QMV for environmental area</td>
</tr>
<tr>
<td>1994</td>
<td>Euro 2 passed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>AOP 1 mandate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td>EU climate change strategy</td>
<td></td>
<td>Sweden enters EU</td>
</tr>
<tr>
<td>1996</td>
<td>Euro 2 in force</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Euro 3 and Euro 4 proposed (result of AOP 1)</td>
<td>AOP 2 mandate</td>
<td></td>
<td>Proposal Kyoto Protocol</td>
</tr>
<tr>
<td>1997</td>
<td></td>
<td>ACEA offers CO2 target for VA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>Euro 3 and Euro 4 passed (result of AOP 2)</td>
<td>VA targets agreed</td>
<td></td>
<td>EU3 opens office in Brussels</td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td>VA accepted for ACEA</td>
<td>Change of legal basis (cooperation to co-decision procedure)</td>
<td>Treaty of Amsterdam in force – environment as main goal</td>
</tr>
<tr>
<td>2000</td>
<td>Euro 3 in force</td>
<td>VA accepted for JAMA/KAMA</td>
<td>ELV directive passed</td>
<td></td>
</tr>
</tbody>
</table>
### 3.3 Conclusion

In this chapter environmental regulations were discussed generally and the EU as a supranational institution was demonstrated to be an appropriate context to study interest representation by MNEs in the automotive industry. The industry was then introduced, followed by a discussion of the three chosen areas for the study, pollutant emissions, CO2 emissions and ELVs. As automobile manufacturers constitute the world’s largest industry and are heavily affected by environmental regulations and by changes in the competitive environment, motor companies provide an adequate setting for studying pre-regulatory CPAs regarding these policies.

The following research questions emerged from the discussion in this chapter, with the emphasis on the first two of these:

- How do corporations view environmental regulations? (RQ4)
- How and why do CPAs differ across three different areas of environmental regulations? (RQ5)
- What kind of resources and competences do firms use in their CPAs? (RQ6)

Together with the previous background chapter on MNE CPAs and the next chapter on the RBV as a theoretical framework, this chapter provides the basis and context of this investigation of the CPAs of automotive MNEs regarding environmental
regulations in the EU, which, as shown in this chapter, pose considerable challenges to the industry, even to the extent of being contradictory in the technical demands they place on the sector. This practical and industrial context provides an appropriate research setting for the study of MNEs’ CPAs as seen through the theoretical lens of the RBV which will be discussed in the next chapter, after which the research questions will be drawn together (Ch. 5) and the methodology will be presented (Ch. 6), before the findings will be analysed (Ch. 7 and 8) and concluded (Ch. 9).
4 The Resource-Based View (RBV) as a theoretical framework

4.1 Introduction

As discussed in chapter 2, all three areas of literature – IB and MNE-Host Government Relations, Strategic Management and CPAs, and Political Science on interest representation – share an underlying resource-based assumption: only firms with sufficient resources will engage in business-government relations (e.g. Boddewyn and Brewer 1994, Hillman and Hitt 1999, Bennett 1999, Luo 2001). The main theory that is used as a theoretical framework for this thesis is therefore the RBV. It is used to investigate the research questions regarding what kind of resources and competences MNEs employ in their CPAs (RQ6), and how and why CPAs differ between MNEs (RQ5).

Unlike the interest representation literature from Political Science, which takes a government or state perspective on lobbying, the RBV enables a company perspective on CPAs:

The Resource-Based View is an inside-out perspective on organizations that seeks to identify the characteristics of firms with superior performance. Unlike outside-in approaches, which begin with the external environment explanations of sustained superior performance, the Resource-Based View posits that we look inside organizations and more explicitly holds a place for managers and what they do as important to organizational outcome. (Rouse and Daellenbach 2002: 966)

Capron and Chatain (2008) encourage research that links CPAs and firm resources, and Moon and Lado (2000) support the use of the RBV for IB research on MNE-host government relations. Furthermore, Hart (1995) promotes the inclusion of the environmental aspect in the RBV. Although the RBV has already been used in analyses of CPAs, this has only been in a US domestic context and therefore there is a need for international extension of the RBV (Frynas et al. 2006, Mc Williams et al. 2002), especially with regard to the European (Union) setting. This thesis thus fills these gaps by using the RBV as a theoretical framework to investigate how MNEs influence environmental policies in the EU. These aspects are elaborated in the second part of this chapter, which discusses the application of the RBV in the context of the thesis, transferring the RBV from the corporate competitive, market context to
4.2 The Resource-Based View

4.2.1 Overview and concepts: Resources, competitive advantage, heterogeneity and immobility

The emergence of the RBV of the firm has been one of the main developments in recent IB and Strategic Management research, with Wernerfelt (1984) and Barney (1991) at the forefront (Peng 2001). This strand of management theory has focused on internal mechanisms to explain firm performance (Sadrich and Annavarjulia 2003). In the strategy literature it has served as the dominant explanation for firm differences (Hoopes et al. 2003; 897, Gibbert 2006a, see also Peteraf 1993 and Wernerfelt 2003). The framework is therefore appropriate for the investigation of firm differences in MNEs’ CPAs and the resources and competences they employ.

The RBV is now considered to be one of the most widely accepted theories within Strategic Management (Newbert 2008, Powell 2001), and concepts and terms important in the RBV include resources, sustainable competitive advantage, and heterogeneity and immobility which are now discussed in turn.

Wernerfelt (1984: 172) uses the following definition of resource:

By a resource is meant anything which could be thought of as a strength or weakness of a given firm. More formally, a firm’s resources at a given time could be defined as those (tangible and intangible) assets which are tied semipermanently to the firm (see Caves, 1980).

For Barney (1991: 101, cf. Daft, 1983), firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.

In traditional strategic analysis resources are the strengths of a firm that can be used to “conceive of and implement strategies” (Barney 1991: 101). Teece et al. (1997: 516) define resources as “firm-specific assets that are difficult if not impossible to imitate”. Amit and Schoemaker (1993: 35) define resources as “stocks of available factors that are owned or controlled by the firm”. The following box lists specific examples of resources.
Box 4.1: Examples of resources

- Brand names, in-house knowledge of technology, skilled personnel, trade contracts, efficient procedures, unique combination of business experience, organisational culture, invisible assets difficult to imitate, organisational learning, entrepreneurship, human resources, functionally based distinctive competencies, routines, trade secrets, specialized production facilities, engineering experience, tacit knowledge, social capital (Hoskisson et al. 1999: 439, Wernerfelt 1984: 172, Teece et al. 1997: 516, Chisholm and Nielsen 2009)

- Physical resources/tangible things: “plant, equipment, land and natural resources, raw materials, semi-finished goods, waste products, and by-products, and even unsold stocks of finished goods” (Penrose 1959: 24)

- Human resources: “unskilled and skilled labour, clerical, administrative, financial, legal, technical and managerial staff” (Penrose 1959: 24)

- Specific assets: technological assets, complementary assets, financial assets, reputational assets, structural assets, institutional assets, market (structure) assets, organisational boundaries (Teece et al. 1997: 521-522)

In addition to resources, contributors to the RBV also discuss core competencies and capabilities as factors leading to sustainable competitive advantage. In comparison with resources, capabilities involve “complex patterns of coordination and cooperation between people, and between people and resources” (Grant 1991). Capabilities are then more complex, intangible “intermediate goods” (Schulze 1994: 130). They are what a firm can do as a result of “teams of resources working together” (Grant 1991: 120). Most authors do not distinguish resources and capabilities, in order to simplify exposition. This convention is therefore followed here, too, and the terms are thus used interchangeably to prevent unnecessary complexity. Resources in this thesis therefore mean assets, capabilities, competencies and factors that are tightly connected to the firm, i.e. firm-specific resources.

Corporate resources and capabilities can be classified into physical, human, organisational and financial resources (Moon and Lado 2000). These resources need the following characteristics in order to be a basis for sustainable competitive advantage (Moon and Lado 2000: 100, Barney 1991): valuable, rare, imperfectly imitable, and nonsubstitutable; or as Oliver (1997: 698) puts it: “scarce, unique, inimitable, durable, idiosyncratic, nontradeable, intangible and nonsubstitutable”. Gibbert (2006a) points out that the notion of resource idiosyncrasy is at the heart of the RBV.

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Barney (2003a) comments that while these labels, such as resources, (dynamic) capabilities, (core) competencies and (invisible or knowledge) assets may be helpful, they all contribute to competitive advantage. While these labels have proliferated, theory has not developed accordingly, Barney (2003b) points out. See also Dahan (2005a), who notes the non-unified vocabulary in this area.

Other authors add technological and intangible resources to this classification (Mahoney and Pandian 1992), while Grant (1991) puts forward the categories of financial, physical, human, technological, and organisational resources, but the subdivision can go as far as is useful, as Penrose (1959) points out.
There is a long understanding in the literature that competitive advantage is dependent upon a match between distinctive internal (organisational) capabilities and changing external (environmental) circumstances. The RBV articulates the relationships among firm resources, capabilities and competitive advantage (Hart 1995: 987).

The concepts of competitive advantage and sustained (or sustainable) competitive advantage (SCA) are key elements in Strategic Management. SCA is the ultimate goal of strategy, and thus forms the central agenda in strategy research (Rouse and Daellenbach 1999). The conditions under which resources lead to SCA are central to the RBV. Distinctive SCA requires the possession and utilisation of unique, non-imitable, non-transferable, firm-specific resources (Bowen and Wiersema 1999).

Hofer and Schendel (1978: 25) define competitive advantage as “the unique position an organisation develops vis-à-vis its competitors through its patterns of resource deployments”. Reed and DeFilippi (1990: 90) likewise see competitive advantage as the “end-result of strategies that are based on the firm’s competencies”.

According to Barney (1991: 102), a firm has a competitive advantage when it is “implementing a value creating strategy” which is not implemented by any current or potential competitor at the same time. This competitive advantage is sustained when in addition to the first condition (no simultaneous implementation) the other firms are not able to duplicate the benefits of this strategy.

Research on competitive advantage has focused on organisational competencies as main sources of advantage (Fiol 1991). Teece (1980) also points out that a firm’s comparative advantage is defined in terms of capabilities, not in terms of products; competitive advantage thus lies in a firm’s knowledge and asset base.

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83 This traditional framework used for strategy formulation is the so-called SWOT framework, which analyses (internal) strengths and weaknesses and (external) opportunities and threats (Barney 1991: 99, cf. Andrews 1971).

84 The terms sustained and sustainable are used interchangeably in this context.

85 It has to be mentioned that “sustained” does not refer to a period of calendar time but to the possibility of competitive duplication (Barney 1991).
Two fundamental elemental assumptions of the RBV are that (Barney 1991; Priem and Butler 2001a):

1. resources are heterogeneously distributed across firms, and
2. these resources cannot be transferred between firms without cost (immobile resources).

**Heterogeneity** is a source of SCA and according to Peteraf (1993) the most basic condition for it. The assumption that resource bundles and capabilities as production inputs are heterogeneous across companies, is essential to resource-based work (Barney 1991, Peteraf 1993) as Godfrey and Hill underline (1995: 522):

Central to the RBV is a conception of the firm as a collection of heterogeneous resources, or factors of production.

Heterogeneity is defined by Oliver (1997: 701) as

relatively durable differences in strategy and structure across firms in the same industry that tend to produce economic rents and a sustainable competitive advantage

Penrose (1959: 75) points out that

"[I]t is the heterogeneity, and not the homogeneity, of the productive services available or potentially available from its resources that gives each firm its unique character".

Heterogeneity of resources thus leads to resources’ uniqueness.

**Immobility** is the second important assumption in the RBV. Resources are *perfectly immobile* if they cannot be traded (Peteraf 1993, Dierickx and Cool 1989). Examples are resources for which property rights are not well defined or resources with ‘bookkeeping feasibility’ problems, for example reputation and loyalty (Dierickx and Cool 1989: 1505). Nontradeable assets, for which there is no market, are firm-specific and have to be accumulated internally to build up strategic or critical asset stocks (Dierickx and Cool 1989). Resources that are *imperfectly mobile* are tradable

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86 Previously, research in strategy was based on two (simplifying) assumptions: firstly, firms are identical in terms of strategically relevant resources; secondly, resource heterogeneity, once developed, is only short-lived due to high resource mobility (Barney 1991:100, Spanos and Lioukas 2001). The RBV “can not build on these same assumptions” as it examines the link between a company’s internal characteristics and performance (Barney 1991: 100f).

87 Both heterogeneity and immobility are phenomena that are “assumed away” in neoclassical theory and thus contradict or stand outside the theory (Rumelt 1984).

88 Peteraf (1993) points out that firm-specific could mean idiosyncratic to the extent that there is no other use outside the firm.
but are more valuable in their current rather than in other employment. This means that they are “somewhat specialized to firm-specific needs” (Peteraf 1993: 183). High switching and transaction costs make resources imperfectly mobile.

Two fundamental arguments follow from the two assumptions of heterogeneity and immobility of resources (Barney 1991; Priem and Butler 2001a):

1. resources which are rare and valuable can yield competitive advantage;
2. if these resources are also not imitable, not substitutable and not transferable, then the competitive advantage may be long lived, that is, sustainable.

Although Penrose (1959) had earlier viewed the firm as a bundle of resources, it was Wernerfelt’s conceptual article of 1984 that was very significant in initiating the RBV as it redirected scholars towards resources as antecedents to products and ultimately performance. Previously, scholars had a major focus on the opportunities and threats in a competitive environment (Porter 1980; Priem and Butler 2001a). Hoskisson et al. (1999) confirm that between the 1960s and late 1980s, the area of Strategic Management was dominated by the consideration of external sources of competitive advantage. They describe the moves from the early internal perspective in the 1960s to industrial organisation economics and then “back” to the internally focused RBV via organisational economics as “swings of a pendulum”. The renewed interest in firm resources reflected dissatisfaction with the static, equilibrium framework of industrial organisation economics (Grant 1991, see also Foss 1996).

The second seminal work was Barney’s 1991 article. Wernerfelt focused on resources and diversification, whereas Barney provided a “detailed and formalized depiction” in the organising framework – organisational resources, which are valuable, rare, imperfectly imitable and non-substitutable, may yield SCA (Priem and Butler 2001a: 23).

The RBV has subsequently been developed by Rumelt, Barney, Dierickx and Cool, Conner, Peteraf and other authors and is therefore the work of many people

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89 See Lockett et al. (2007) for Wernerfelt’s reflections on his development of the RBV.
90 With the contributions of Chandler (1962), Ansoff (1965), and Andrews (1971).
92 Transaction costs economics (Williamson 1975, 1985) and agency theory (Jensen and Meckling 1976, Fama 1980).
The Resource-Based View (RBV) as a theoretical framework

(Wernerfelt 1995)\(^93\). The general focus in the RBV is on firm resources contributing to SCA (Priem and Butler 2001a).

The Theory of the Growth of the Firm, Edith Penrose's classic 1959 book, is in some ways a 'canonical' reference for literature on RBV of the firm, although authors such as Barney (1991) did not base their initial resource-based papers on her work (Pitelis 2004: 523-524). In a pioneering way, Penrose viewed the firm as a bundle of productive resources\(^94\). Pitelis (2004: 530, footnote 7)\(^95\) points out that Penrose, although an economist, saw hardly any value in the formalisation of her ideas – she did not feel that it would be “helpful, necessary or even feasible”.

According to Kor and Mahoney (2000), the RBV is one of four areas that together build the “modern resource-based theory”: 1. the resource-based view, 2. commitment, 3. dynamic capabilities, and 4. the knowledge-based view\(^96\). These four areas “naturally blend into each other” and therefore several strands together build the theory (Kor and Mahoney 2000: 119)\(^97\).

A resource-based perspective was already important in early strategy research, albeit using a different terminology: Conner (1991) stressed that several early authors connected firm performance with a firm’s special competencies, such as Selznick (1957), Chandler (1962), and Rumelt (1974). The core notion of strategy as a “fit between the internal competencies of the firm and external opportunities” also incorporates the resource-based perspective (Conner 1991: 122).

4.2.2 The “VRIN-Framework” of the RBV – Value, Rareness, Inimitability, and Non-Substitutability of Resources

After the assumptions of heterogeneity and immobility are met, firm resources need to have four attributes in order to have the potential for sustained competitive

\(^93\) See Barney and Arikan (2001) for an extensive overview of the origins of the RBV.

\(^94\) This is in contrast to the competitive strategy framework of Porter, where the firm is viewed as a bundle of activities (Spanos and Lioukas 2001). Resources could be seen as antecedents to activities in this context. See also Hult and Ketchen (2001) that resources collectively lead to competitive advantage, and Chisholm and Nielsen (2009).

\(^95\) Pitelis is editor of the Collected Papers of Edith Penrose (Pitelis 2004, see also Penrose and Pitelis 1999 for more on Penrose as a scholar).


\(^97\) It has to be mentioned that the term resource-based theory (RBT) is not used as often as the term resource-based view. The terms perspective and approach are also used (e.g. Foss 1997, Conner 1991). This thesis adheres to convention and uses the term RBV.
advantage: the characteristics valuable, rare, imperfectly imitable and not equivalently substitutable (Barney 1991). These characteristics will render resources heterogeneous and thus contribute to SCA. These pre-conditions for SCA are now discussed in turn, with a focus on the attribute ‘imperfectly imitable’.

**Valuable Resources**

Only valuable firm resources can be a source of SCA. Barney (1991: 106) argues that resources are valuable when they enable a company to “conceive of or implement strategies that improve its efficiency and effectiveness”. Newbert (2008) concludes that the magnitude of a company’s competitive advantage is a function of the value of its resources and capabilities. The value of a resource may only be realised when it is combined with a corresponding capability, which Newbert (2008: 748) calls the “exploitation of a valuable resource-capability combination”, thus alluding to the aforementioned bundle of resources.

**Rare Resources**

If valuable firm resources are owned by many competitors they can not be sources of SCA. Competitive advantage occurs when a firm executes a “value-creating strategy not simultaneously implemented by large numbers of other firms”. If resource bundles are not rare, then many firms can “conceive of and implement” the same strategies and these strategies will and cannot be sources of competitive advantage (Barney 1991: 106). This is not to say that other resources are unimportant, they might increase survival under competitive parity in an industry (Barney 1991). As for valuable resources, Newbert (2008) stresses the resource-capability combination – the rarer these combinations, the greater the company’s advantages.

**Imperfectly Imitable Resources**

Following Lippman and Rumelt (1982) and Rumelt (1984), a competitive advantage is sustained only if it continues to exist after efforts to duplicate that advantage have ceased. (Barney 1991: 102)

> Sustainability of a firm’s privileged asset position hinges on how easily it can be replicated. (Dierickx and Cool 1989: 1507)

As the above quotes indicate, valuable and rare firm resources only lead to SCA if firms not possessing them cannot obtain them either, that is, the resources are

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98 In Barney (1986 on organisational culture as a source of SCA), the same attributes can be found, with the exception of non-substitutability. The framework is also called the VRIO framework where inimitability includes non-substitutability and the O stands for organisational aspects of resources (Peng 2009) and the efficient organisation of resources (Foss and Knudsen 2003).
The Resource-Based View (RBV) as a theoretical framework

imperfectly imitable (Barney 1991). Imitation of innovations threatens the sustainability of competitive advantage (Rumelt 1984, 1987). It is the resource characteristic that has been most widely discussed in the literature and is a fundamental one (Connor 1991).

According to Teece et al. (1997: 524) “[I]mitation occurs when firms discover and simply copy a firm’s organizational routines and procedures”. Barriers to imitation make resources imperfectly imitable. They exist when rivals cannot understand the competencies and capabilities on which competitive advantage is based (Fiol 1991). This is the case when the causal connections between actions and results are ambiguous (Lippman and Rumelt 1982). On the basis of the existing literature, Reed and DeFillippi (1990) suggest three characteristics of competencies as sources of ambiguity: tacitness, complexity, and specificity. Barney (1991) suggests a combination of three sources as well: a) unique historical conditions, b) a causally ambiguous link between resources and sustained competitive advantage, and c) socially complex resources. It seems that only different terms are used so that Reed and DeFillippi’s tacitness corresponds to causal ambiguity in Barney’s terms, complexity relates to socially complex resources and specificity to unique historical conditions. Interaction effects between tacitness, complexity and specificity increase ambiguity effects and barriers to imitation (Reed and DeFillippi 1990). Generating and replenishing causal ambiguity and barriers to imitation permits the sustainability of competitive advantage over rivals (Reed and DeFillippi 1990). These sources of barriers to imitation are now discussed in turn.

a) Unique historical conditions and imperfectly imitable resources

Environmental models of the firm assume that firm performance can be explained independently of particular history and other idiosyncratic firm attributes. The RBV relaxes this assumption and asserts that

not only are firms intrinsically historical and social entities, but that their ability to acquire and exploit some resources depends upon their place in time and space. (Barney 1991: 107)

This assumption can also be found with traditional strategy researchers who refer to the unique historical circumstances of a firm’s beginnings, or the unique conditions of a new management team taking over as important determining factors on corporate performance, according to Barney (1991). Path-dependent models of economic performance suggest that firm performance does not only depend on industry structure at a particular point in time but also on the particular path a company
followed through time to arrive where it is (Barney 1991). According to Teece et al. (1997: 522), the opportunities a firm has in the future are a function of its current position and the paths ahead, in which the current position is shaped by the path the company has travelled, and therefore “history matters”. Since distinctive capabilities and competences in general cannot be acquired, but have to be built, time is an important factor as it can take years to build these competences (Teece et al. 1997). This goes hand in hand with what Ring et al. (1990) discuss as strategic predisposition, which is the degree to which a company demonstrates a fairly consistent pattern in its strategic choices over time. In their examination of political imperatives, they find that the strategic predisposition of a firm will influence its kind of response to the political environment.

b) Causal ambiguity and imperfectly imitable resources

Causal ambiguity is a main source of barriers to imitation and, unlike unique history, has been dealt with in the literature (Barney 1991). In this context, causal ambiguity exists when the link between the resources controlled by a firm and a firm’s sustained competitive advantage is not understood or understood only very imperfectly (Barney 1991: 108f).

A lack of understanding thus makes imitation difficult, as it is not clear which resources should be imitated in order to create SCA. Lippman and Rumelt (1982: 418) define causal ambiguity as the “basic ambiguity concerning the nature of the causal connections between actions and results”. The authors’ notion of causal ambiguity suggests that sustained differences in performance can be found in otherwise perfectly competitive industry settings (cf. Dierickx and Cool 1989). For Reed and DeFillippi (1990: 91) causal ambiguity in the form of tacitness is “embodied within the skill component of competencies”. Essential to the value of tacitness is the inability of even a skilled performer to “codify the decision rules and protocols” underlying performance (Reed and DeFillippi 1990: 91, see also Nelson and Winter 198299).

c) Social complexity and imperfectly imitable resources

According to Barney (1991: 110), firm resources may not be imitable as they can be very complex social phenomena, and thus “beyond the ability of firms to systematically manage and influence”. Among the imperfectly imitable resources that

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99 See also Polanyi (1967) for discussions on tacitness.
are socially complex are for example the interpersonal relations among managers in a company, organisational culture, and corporate reputation among suppliers and customers. To the extent that these are not amenable to direct management, these resources are imperfectly imitable. This also means that physical technology – however complex it may be – is typically imitable by itself (Barney 1991). Reed and DeFillippi (1990) argue in the same line: they see complexity as a result of interrelationships between skills, and between skills and assets.

Rumelt (1984) points out that unique resources, specialised assets and causal ambiguity are all *isolating mechanisms*\(^{100}\). These mechanisms are important in the area of business strategy as they make competitive positions stable and defensible (Rumelt 1984), that is, they lead to SCA. Teece et al. (1997) point out that isolating mechanisms are fundamental determinants of firm performance\(^{101}\).

**Non-Substitutable Resources**
Non-substitutability is the last requirement for firm resources to be a source of SCA. This condition states that “there must be no strategically equivalent valuable resources that are themselves either not rare or imitable” (Barney 1991: 111). Wernerfelt (1984) also points out that the availability of substitute resources will likely depress returns to the holders of a given resource. Dierickx and Cool (1989) argue likewise, that even if imitation is not a major threat, asset stocks could still be vulnerable to substitution by different asset stocks and thus be rendered obsolete. There are two forms of substitutability: *similar* resources enabling conception and implementation of the same strategies, and very *different* firm resources acting as strategic substitutes (Barney 1991). The author cautions that strategic substitutability of resources is always a matter of degree.

**Summary**
The relationship between resource heterogeneity and immobility; value, rareness, imitability, and substitutability; and SCA is summarised in the following figure of Barney (1991: 112):

\(^{100}\) Other isolating mechanisms Rumelt (1984) mentions are: switching and search costs, consumer and producer learning, team-embodied skills, special information, patents and trademarks, reputation and image as well as legal restrictions on entry.

\(^{101}\) The notion of isolating mechanisms at the firm level of analysis is analogous to entry barriers at the industry levels, and mobility barriers at the strategic group level (Mahoney 1995).
The Resource-Based View (RBV) as a theoretical framework

Figure 4.1: The relationship between resource heterogeneity and immobility, value, rareness, imperfect imitability, and substitutability, and sustained competitive advantage.

The framework can be applied for analysing the potential of a broad spectrum of firm resources as sources of SCA (Barney 1991). It suggests the sort of empirical questions that must be addressed in order to understand whether or not specific firm resources are a source of SCA:

- is that resource valuable?
- is it rare?
- is it imperfectly imitable?
- are there substitutes for that resource? (Barney 1991: 115)

Wernerfelt (1989) points out, that critical resources which differentiate a firm from its competitors have to be unique, which seems to embody the above characteristics of valuable, rare, imperfectly imitable and imperfectly substitutable. Rouse and Daellenbach put the different terms and concepts together as following (2002: 966, italics in original):

<table>
<thead>
<tr>
<th>Firm Resource Heterogeneity</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Resource Immobility</td>
<td>Rareness</td>
</tr>
<tr>
<td></td>
<td>Imperfect Imitability</td>
</tr>
<tr>
<td></td>
<td>History Dependent</td>
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<tr>
<td></td>
<td>Causal Ambiguity</td>
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<tr>
<td></td>
<td>Social Complexity</td>
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<td></td>
<td>Substitutability</td>
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<tr>
<td></td>
<td>Sustained Competitive Advantage</td>
</tr>
</tbody>
</table>

Dierickx and Cool (1989:1510) summarise it as follows where nontradability could be seen as the immobility of resources in Barney’s (1991) terms:

In short, asset stocks are strategic to the extent that they are nontradeable, nonimitable and nonsubstitutable.

Before the RBV is discussed for the application in this thesis, some limits of the RBV are considered.
4.2.3 Limits and Critiques of the RBV

More generally, it should be noted that ultimately the RBV will stand or fall not on the basis if whether its key constructs can be verified, but upon whether its predictions correspond to reality observed for populations of firms. (Godfrey and Hill 1995: 530 [sic])

In revisiting her 1991 article ten years later Fiol (2001) questions one of the then central assumptions of sustainability in the face of an ever-changing environment. She argues that in a dynamic environment where dynamic capabilities are needed (Teece et al. 1997), core competencies – understood as a fixed set of resources and skills – can become a constraining set of core rigidities. She then argues for a more dynamic perspective, where ‘sustainable’ competitive advantage is favoured by ‘renewable’ competitive advantage, i.e. “continuously changing temporary advantages” (Fiol 2001: 692) depend on the ability to destroy and rebuild specialised, inimitable resources or routines over time (cf. Barney et al. 2001).

In a dialogue with Barney (2001a), Priem and Butler (2001a, b) provide a critical discussion and evaluation of the RBV. The title of Priem and Butler’s first article (2001a) demonstrates their investigation thread – Is the resource-based “view” a useful perspective for strategic management research? Priem and Butler (2001a, b) acknowledge the works of Wernerfelt (1984) and Barney (1991) as seminal for the RBV stream and the RBV’s constructive contributions to Strategic Management. However, the authors bemoan the relative lack of subsequent definitional work. According to them, subsequent works have either simply cited Barney without expanding his definitions or defined new terms of interest without formally specifying the underlying original RBV terms. Other criticisms include the issue of implicit simplifying assumptions and the RBV’s limited prescriptive ability (Priem and Butler 2001a, b). Priem and Butler (2001a) conclude that in order for the RBV to be more useful in strategy research it needs more formalisation, more answers to the How? questions, integration of the temporal components, and attention to both the internal and external factors (production and demand, resources and products). Barney (2001a) views Priem and Butler’s main criticisms as unfounded, but appreciates their reminder of important tasks still to be done in the RBV-context.

Lado et al. (2006) deal with the question of paradoxes within the RBV. Whereas critiques view the RBV as paradoxical, “infused with contradictions and ambiguities”,

102 As part of a special “10 years’ RBV” issue of the Journal of Management (e.g. also Barney 2001b).
103 See also Leonard-Barton (1992) for a discussion of core rigidities and core capabilities.
Lado and his colleagues (2006: 115f) view paradoxes as useful conceptual tools to academic inquiry and posit that the RBV is especially attuned to address paradoxical challenges. Paradoxes force researchers to “think twice” about assumptions previously made (Lado et al. 2006: 118); resolving paradoxes can then create new theoretical insights. For Gibbert (2006a) the paradox lies in whether it is possible to generalise SCA based on unique resources, that is, the paradox is between resource idiosyncrasy and generalisability. Levitas and Ndofor (2006) argue that this “paradox” is more perceived than real and that the quest for generalisability is counterproductive when applied to the RBV. In a response, Gibbert (2006b) argues that the RBV emphasises rather than de-emphasises the need for generalisability.

4.3 Application of the RBV to this Thesis

The point this author wants to start from is Priem and Butler’s (2001a: 35) postulation that Strategic Management requires explicit attention to both the internal and external. This is also emphasised by Penrose (1959: 79) in stating that external changes “may change the significance of resources to the firm”. The external in this research is taken as a broader environment than the competitive environment: it encompasses the political and regulatory environment that companies face. In previous research, this external environment has been viewed as exogenous which has been criticised (Boddewyn 1988, Keim 2001b) and this thesis therefore questions the exogenous nature of the external environment for corporations.

In the following the RBV is discussed in the context of the areas, which are of relevance to the thesis at hand: MNEs, CPAs, and Environmental Issues.

4.3.1 The RBV in the Context of MNEs

Moon and Lado (2000) point out that resource-based academics have primarily used a ‘domestic’ context in theorising about the links between corporate resources and capabilities, and competitive advantage. The authors (2000: 102) argue that a distinguishing feature between domestic companies and MNEs is the latter’s “unique ability (or power)” to manage political requirements resulting from host government actions. This thesis therefore uses concepts of the RBV to investigate how MNEs manage political requirements in the form of environmental regulations in the EU.

104 This is in line with Penrose’s view for whom the existence of different nation states and hence borders between them made MNEs ‘different’ from other companies (Pitelis 2004: 528).
Peng (2001) maps the contribution of the RBV to IB research in leading IB journals. As the RBV has diffused into IB, so IB has likewise contributed to the RBV (Peng 2001). In Peng’s (2001: 820) view, the most significant contribution of IB to the RBV lies in identifying international knowledge and experience as a resource which is valuable, unique and difficult to imitate and thus differentiates “the winners from the losers and mere survivors” in global competition. Pitelis (2001) and Buckley (2002) also emphasise that the RBV has played an important role in explaining MNEs and their strategy.

Rugman and Verbeke (2002) argue that firms can only be successful abroad if they possess some type of advantage that makes them competitive in foreign markets. This resource superiority is reflected in the concept of firm-specific advantage, which is crucial in overcoming the costs faced by MNEs when operating abroad (Rugman and Verbeke 2002). The concept of firm-specific advantage ties the RBV in with Dunning’s OLI paradigm on MNEs and O advantages. Dunning (2000: 166) confirms that the RBV of the firm offers “some reasons ‘why’ foreign owned affiliates may have a competitive edge over their indigenous competitors”. Not only does the RBV tie in with IB theories through Dunning’s eclectic OLI paradigm on the MNE and firm-specific advantages, the two can also be linked to the political environment as political knowledge and expertise can be seen as a resource. This link between the RBV and the political environment through political resources is discussed in the next section.

Moon and Lado (2000: 101) point out that the RBV has been used in an IB setting to analyse international strategic alliances, global strategy-performance and MNE political behaviour but that IB research of the MNE-host government relationship has not used RBV insights. In their theoretical framework for MNE-host government bargaining power relationship within the RBV, they put forward the following firm-specific resources that form an important basis for MNEs’ bargaining power: managerial resources, technological know-how and reputation. As indicated in chapter 2, bargaining is a form of CPA. In response to the gaps pointed out by Moon and Lado (2000), this thesis therefore uses the RBV to investigate MNE-government relations in the specific context of the EU.

105 See also Connell (2008), Pitelis and Verbeke (2007) and Pitelis (2007) who discuss the theoretical developments of Penrose and their implications for the RBV and the OLI paradigm.

106 See chapter 2 for Boddewyn’s (1988) political extension of Dunning’s OLI paradigm.

107 They point to Hamel (1991), Collis (1991), and Boddewyn and Brewer (1994).
As moderating effects on the relationship between firm-specific resources and MNE bargaining power, Moon and Lado (2000) place industry and country contexts and thus propose the following framework:

*Figure 4.2: Resource-Based Determinants of MNE-Host Government Bargaining Power Relationship (based on Moon and Lado 2000: 101, terminology adapted to thesis context)*

Under firm-specific resources Moon and Lado (2000) include managerial resources, technological know-how, and reputation whereas under industry and country context, they embrace industry concentration, appropriability regime\(^{108}\), level of economic development and cultural context\(^{109}\) (Moon and Lado 2000: 101). The firm-specific resources that the authors put forward as important for the relationship are detailed as follows. *Managerial resources* are widely accepted as a critical resource for SCA (e.g. Castanias and Helfat 1991/2001, Fiol 1991, Reed and DeFillippi 1990). Moon and Lado (2000) point to managers’ ability to enact beneficial firm-environment relationships and to manage the “political imperative” (also Ring et al. 1990). *Technological know-how* leads to greater bargaining power for MNEs when it is embodied in persons or processes rather than in products or physical capital (Moon and Lado 2000). *Reputation* can be a source of SCA as it cannot be traded, but has to be developed over time, that is, it is path-dependent.

It is proposed that this framework be amended to have a stronger link between firm resources and CPAs as well as added links where firm-specific resources influence the industry context, which in turn influences CPAs. It is expected that firm-specific resources are the main determinant of CPAs. Furthermore, firm-specific resources impact on the industry context through contributions to an industry’s trade association, which in turn influence individual CPAs, which is a link Moon and Lado (2000) do not consider. The following framework is therefore proposed for this thesis:

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\(^{108}\) Level of intellectual property protection.

\(^{109}\) See also Rehbein and Schuler (1999) for a discussion of industry influences on CPAs. The cultural context should be kept in mind as this thesis is asking how CPAs differ between MNEs from different Triad regions.
The Resource-Based View (RBV) as a theoretical framework

Figure 4.3 Resource-Based Determinants of MNE-Host Government Bargaining Power Relationship (Moon and Lado 2000: 101, modified by this author)

This links the MNE perspective of the RBV with CPAs to which the discussion now moves.

4.3.2 The RBV in the Context of CPAs

The previous section has shown that the RBV can and should be applied to MNEs and their government relationships. This section follows this line in the area of CPAs, where Capron and Chatain (2008) encourage work that links CPAs and firm resources. Hillman and Hitt (1999) employ the RBV assuming that firms make choices of specific political action based on differential resources. This implies that firms are more likely to engage in individual CPAs if they have many resources (finances or experience) whereas resource-constrained corporations will rather use collective action (Hillman and Hitt 1999: 828). It is an underlying assumption of all three strands of literature discussed in chapter 2 that only firms with a sufficient amount of resources can engage in CPAs. Therefore the RBV provides a suitable framework to underpin the investigation of MNEs’ CPAs in this thesis.

One premise of the RBV of the firm is that “the strategic choice of organisational competences affects the firm’s performance in its domestic and foreign markets” (Boddewyn and Brewer 1994: 135). Boddewyn and Brewer (1994) criticise the RBV for only looking at economic and organisational competences of firms, not at political capabilities. Furthermore, RBV-oriented strategists take the non-market environment as exogenous and neutral – as pointed out by Amit and Schoemaker (1993), Keim (2001b), Boddewyn (2003), and Frynas et al. (2006)\textsuperscript{110} – whereas this thesis questions the exogenous perspective on non-market institutions. This thesis therefore closes the gap as suggested above by looking at political resources and questioning the exogenous nature of the political environment of companies. By taking into account corporate actions towards its environment and questioning the

\textsuperscript{110} See also Capron and Chatain (2008) who point out that RBV scholars have paid little attention to the firm’s relationships with its external environment.
The Resource-Based View (RBV) as a theoretical framework

The exogenous nature of this environment, the understanding between a firm's resources and its competitive advantage will be increased (Capron and Chatain 2008).

(...) important institutional factors influencing product and factor markets (e.g., regulations) have been taken for granted by most researchers, and thus have faded into the background. (Peng 2001: 821)

The concept of political resources in CPAs has been used by authors for several decades, as Dahan (2005b) points out111, although not in the context of the RBV. Boddewyn (1993) argues that political capabilities may be important to competitive advantage, even though they are not commonly discussed by the RBV (Keim 2001b).

Frynas, Mellahi and Pigman (2006: 325) point out that

Access to a key government minister, experience in dealing with corrupt officials and other political resources, which result in a firm's advantageous treatment by political decision-makers, are frequently in scarce supply and difficult to obtain.

As a corollary, political resources may be aligned with Barney's (1991) VRIN framework of SCA112. As political resources can be difficult for competitors to equalise, they may be a source of competitive advantage (Frynas et al. 2006). Boddewyn and Brewer (1994: 137) assert that competitive advantages do have an "unavoidable political dimension" that must be factored into strategy and IB research. Frynas et al. (2006) state that research on firm-specific political resources has been focused on the US domestic political process and needs to incorporate the international dimension. McWilliams et al. (2002) also only investigate political strategies on a resource-basis within the US context113 but state that research into political activity in IB is necessary. This thesis therefore attempts to close this gap by investigating MNEs' political resources in the EU context. These hard-to-copy firm-specific resources are the main determinants of MNEs' sustainable bargaining and lobbying position over time (see Moon and Lado 2000). A more favourable political-legal environment is the goal of CPAs for which political resources are used:

The favourable application or a change in a current public policy is thus the final goal to be achieved through the implementation of a

111 Dahan (2005b) refers to authors such as Fainsod (1940), Epstein (1969, 1980), Leone (1977), and Mahon and Murray (1981).

112 See also Keillor and Hult 2004 on distinctive non-market competencies used for competitive advantage.

113 In a different national environment, both Dahan (2001) and Attarça (2000) have investigated CPAs in the French domestic context only (Attarça 2002).
The Resource-Based View (RBV) as a theoretical framework

...political strategy that requires specific resources, which some have called “political resources”. (Dahan 2005b: 11)

Frynas et al. (2006) remark that the literature has defined the terms ‘political capital’\textsuperscript{114}, ‘political resources’ or ‘political competences’ variously. The authors (2006: 324) broadly define political resources as

\begin{quote}
any firm attributes, assets, human resources, or any other resources that allow the firm to use the political process to improve its efficiency and profitability.
\end{quote}

Similarly, Dahan (2005a) restricts the use of the term ‘political resource’ to the assets and skills that are utilised in the political arena. In terms of advantages for firms, he (2005a: 43) uses the term ‘regulatory advantage’ to describe a “favourable state of public policies for a given firm”. As with other resources, political resources are not necessarily owned by a firm, but are under its control\textsuperscript{115} (Dahan 2005b). Other terms also include non-market resources or assets (Dahan 2005a, Baron 1995).

Frynas et al. (2006) point out that political resources can fall into Barney’s (1991) threefold typology of physical, human and organisational capital resources. Salorio et al. (2005) assert that political assets such as the ability to generate and manage political alliances, access to decision-makers, and the status of a company and its executives\textsuperscript{116} range beyond Barney’s typology and collapse political competences into three types: superior intelligence, access, and exchange skills, which translate into asymmetrical attention and action abilities (Salorio et al. 2005, based on Boddewyn and Brewer 1994 as well as Bonardi et al. 2005).

Dahan (2005a) develops a more comprehensive typology of political resources, which include the following: expertise, financial resource, relational resource, organisational resource, reputation with other non-market actors, public image, support of stakeholders, and recreational skill. These are discussed in turn.

\textit{Expertise:} According to Dahan (2005a) expertise can be gained in areas such as technical/technological, economic/managerial, social, environmental, legal and

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{114} Based on Yoffie and Bergenstein (1985).
\item \textsuperscript{115} Already Oberman (1993) distinguishes between actor-controlled resources that are owned by a firm and so-called institutional resources that can be borrowed by the firm. Dahan (2005a) points out that Oberman uses the term ‘institutional resources’ to describe political resources.
\item \textsuperscript{116} These are based on Epstein (1969) as elaborated by Mitnick (1993) (see Salorio et al. 2005).
\end{itemize}
\end{footnotesize}
political/administrative fields\textsuperscript{117}. Boddewyn (1988) points out political knowledge and expertise as resources that can lead to firm-specific and political advantages in the form of better intelligence, reader access and superior influence skills (Boddewyn and Brewer 1994). Technological know-how is also pointed out by Moon and Lado (2000). Van Schendelen (2002: 177) even considers political expertise as a meta-resource, which is the “single most important variable asset” a lobby group may have.

**Financial resource:** This can be both a direct resource (e.g. through campaign contributions) and an indirect resource (financing other political resources) (Dahan 2005a). Van Schendelen (2002) emphasises financial resources as important resources due to the costs of CPAs which includes the setting up of structures, communication campaigns, public relations, information acquisition (e.g. through studies), participation in coalitions and associations (Attarça 2002). Newell and Paterson (1998) and Woll (2007) also underline such resources while Salorio et al. (2005) point out that, although money is commonly listed as a “political” resource, it is really an economic asset\textsuperscript{118}.

**Relational resource:** This includes formal (e.g. membership in a committee) and informal relations (interpersonal contacts) (Dahan 2005a). Schuler (2008) uses the terms political connections and networks (Van Schendelen 2002). Li and Zhang (2007) point to managerial resources as social capital gained by political networking, indicated by ties with government officials. Woll (2007) and Oliver and Holzinger (2008) also use the term social capital (see Ch. 2), while Yoffie and Bergenstein (1985) term these relational resources political capital. Portes (1998) also sees networks as a social capital resource (see also Chisholm and Nielsen 2009 who incorporate social capital into the RBV in general). Relational resources lead to access to decision- and policy-makers (Attarça 2005) and can therefore be considered bridging social capital.

\textsuperscript{117} Dahan (2005a) refers to Attarça’s (1999 and 2000) distinction between technical-economic and politicolegal expertise as simplistic. In a later publication, Attarça (2002) distinguishes between economic, technical, scientific and legal expertise. Although not using a resource-based approach, Woll (2007) mentions legal or technical expertise or other information as resources, which can be placed in Dahan’s typology.

\textsuperscript{118} Attarça (2005) lists economic resources as a political resource in addition to financial ones. These economic resources include economic power, market power and corporate social power, and number of employees (Attarça 2002).
Organisational resource: This resource can be either internal such as a permanent representation and public affairs office or external such as a consultancy and trade association offices (Dahan 2005a). Attarça (2002 and 2005) includes human resources, public affairs structures and procedures in organisational resources.

Reputation with other non-market actors: this resource is built up over time and thus relates to the concept of political capital (Dahan 2005a, Yoffie and Bergenstein 1985, see also Yoffie 1987) and corporate social capital (Preston 2004). Moon and Lado (2000) set reputation in relation to trust(worthiness) and legitimacy (similarly, Salorio et al. 2005), while Dahan (2005a) points out credibility in connection with reputation. There is a distinction between individual and corporate reputation of firm representatives and the company (Dahan 2005a). Boddewyn and Brewer (1994) also mention reputation as a political capability. Attarça (2002 and 2005) subsumes reputation and public image under the term symbolic resources.

Public image: This resource is the perception of the firm’s political action by public opinion (Dahan 2005a, b). The difference between reputation and public image is that reputation builds up over time while public image varies in the short run (Dahan 2005a). Van Schendelen (2002) does not list public image in his discussion of resources but brings up a good image as a requirement for a successful lobby group.

Support of stakeholders: This resource adds weight and legitimacy to a firm’s position and can be of temporary or permanent, of formal or informal nature (Dahan 2005a, b). Van Schendelen (2002) mentions external positions as a link between one’s own group and the networks of stakeholders – in this context a network of different stakeholders could also be seen as a resource in the form of support119.

Recreational skill: This resource creates opportunities for more informal and personal contacts with decision-makers and journalists, and includes recreational services such as ‘wining and dining’, plant visits etc (Dahan 2005a). Dahan (2005b: 16) remarks on the rivalry in Brussels to “come up with the most original public relations event to attract influential public decision-makers who are oversolicited”. While being very common in practice and an example of social capital, this resource has not been acknowledged in the literature, according to Dahan (2005a).

Dahan (2005a) consequently suggests that this conceptualisation be empirically validated through in-depth case studies or large-scale surveys. This thesis therefore

119 In Boddewyn and Brewer’s (1994) terms, this is coalition-building ability.
The Resource-Based View (RBV) as a theoretical framework

This research takes Dahan's typology as a basis for investigating what kind of resources MNEs use in CPAs in the EU. This research could therefore explore and validate his typology.

These political resources differ in their characteristics (Dahan 2005a). Resources can be under internal or external control (Dahan 2005a, see also Boddewyn and Brewer 1994, Attarça 2002). They can be externalised to agencies or hired lobbyists as well as an association (Dahan 2005a). This means they may be developed and used at firm level or at collective level. Dahan (2005a) highlights that problems with previous classifications are that some political resources are of collective nature that can be shared with outsiders. This creates a new category of political resources that are purely collective by nature – in contrast to individual resources becoming collective because they are shared (Dahan 2005a, Attarça 2002, Chisholm and Nielsen 2009).

This application of resources is an important difference to the RBV applied in a competitive market environment where collusion is strictly regulated and mostly prohibited by anti-trust rules and competition policy. In the political context, resources can be pooled by bringing together existing firm-level resources, either through formal or informal co-operation. Market “collusion” is possible here and even desired, thus collective resources need to be considered in addition to individual resources.

Jacomet (2005) notes that individual CPAs are not exclusive of collective action – both types of activities can develop simultaneously. While political resources used in trade associations such as expertise, financial and relational resources, can be pooled and provided by individual firm members, there are also political resources that are collective by nature, such as democratic legitimacy, private interest government arrangements, unity among members, and trade-offs between different political goals of the collective (Jacomet 2005: 78). Dahan (2005a) and Van Schendelen (2002) also point to the unity and internal cohesion of the members of an interest group as a resource. Business-government relations can thus be in the form of individual CPAs as well as in the form of industry associations, and one aspect of this thesis is to investigate the relationship between the two forms – whether these complement or compete with each other (RQ3). It is important not to overlook either:

> Because of the multiple interactions in a highly complex and uncertain environment, outcomes of the public policy process are undetermined and cannot be attributed to the efforts of a single organization. (Jacomet 2005: 91)
Two further characteristics of political resources include ad hoc versus semi-permanent resources (Dahan 2005a) and formal versus informal political resources\(^{120}\) (Oberman 1993, Attarça 2005). Furthermore, Dahan (2005a) distinguishes political resources by their roles: primary, supporting and complementary resources, which differ in their importance and according to political strategies (cooperative or adversarial).

In his first article of 2005, Dahan (2005a) only goes as far as the categorisation of political resources, not to the actual characteristics of resources within the VRIN-framework. He only refers to the dynamic nature of resources being bundled together, which will lead to competitive advantage when mobilised. As an example for relational resources (or relationship capital), the relationship between a company representative and a politician or civil servant can be – once established – valuable, limited (e.g. restricted time of the politician), inimitable (on a personal level) and non-substitutable (civil servant responsible for relevant dossier). This could limit the access of political newcomers to said decision-makers. Coen (1997b) also points to access, which can be limited to a few policy players; thus, membership is competitive, and firms need to use their resources to gain this access as a way to competitive or political advantage. Although Dahan (2005b) acknowledges this, he does not relate it to the VRIN-framework. In his second article of 2005 Dahan, (2005b) can also be criticised for applying the resource characteristics of the VRIN-framework to the outcome of the political process (public policy/regulation) instead of applying it to the resources, as suggested originally by Barney (1991). Therefore, his application of the RBV to political resources does not seem to be consistent. He applies it to the outcome, the result of the resource utilisation, not the resources themselves and therefore this is not the application envisaged in the RBV. Keim (2001b) points out that SCA in CPAs needs to be based on political resources that are valuable, rare, inimitable and non-substitutable. This thesis applies the VRIN framework as intended by Barney (1991): it investigates how political resources lead to advantages (of political or competitive nature) by being valuable, rare, inimitable and non-substitutable, and therefore it contributes to research on political resources.

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\(^{120}\) For example, relational resources can be either formal or informal as Attarça (2002) underlines, which is echoed by Van Schendelen (2002) with networks ranging from informal, semi-formal (e.g. ad-hoc coalition) to formal (industry association).
4.3.3 The RBV and Environmental Regulations

Having positioned the RBV to MNE characteristics and then to CPAs, we are finally able to view the RBV as a theoretical tool of MNEs’ CPAs in the context of environmental regulations.

Russo and Fouts (1997) start with the basic tenet of corporate social responsibility (CSR) which is that society and business are tightly interwoven. Scholars, however, find it hard to specify the precise mechanisms linking companies and society. The economic impacts of environmental performance are a particular social issue with two sides: on the one hand environmental regulation can increase economic performance. On the other hand it can generate costs, which businesses might never recover (Russo and Fouts 1997, cf. Porter and van der Linde 1995a and b, Aragón-Correa and Sharma 2003). The authors’ argument is based on the RBV and emphasises the role environmental policy plays in creating wider organisational advantages allowing a firm to capture superior profits (Russo and Fouts 1997). Aragón-Correa and Sharma (2003) also emphasise how exogenous factors such as environmental regulations impact on the development of internal environmental capabilities. The RBV is useful for two reasons, according to Russo and Fouts (1997): performance is a key outcome variable, and importance is placed on intangible assets like corporate culture, know-how and reputation.

There are two modes of corporate environmental policy (cf. Hart 1995): firstly, a compliance strategy, and secondly, going beyond compliance with an emphasis on prevention. Aragón-Correa and Sharma (2003) call these two modes reactive (compliance) and proactive (prevention), and add environmental leadership to this typology of corporate environmental strategies in a later publication, which goes further than the prevention aspect of proactive strategies (Aragón-Correa et al. 2008). The thesis investigates how MNEs in the automotive industry approach CPAs regarding environmental policies: reactively or proactively (RQ2 and RQ4).

Physical assets and technology, human resources and organisational capabilities as well as intangible resources are the capabilities and resources Russo and Fouts (1997) analyse in their application of the RBV. Intangible resources include reputation and an organisation’s political acumen, rather neglected intangible assets in RBV development (Russo and Fouts 1997). Political acumen is “the ability to influence public policies in ways that confer a competitive advantage” (Russo and Fouts: 540). The neglect of corporate political strategy could be the result of managers seeing it as external to their primary responsibilities (cf. Post 1978). But
“savvy executives” have understood the potential of political strategy as a strategic resource (Russo and Fouts 1997: 540, cf. Mahon 1989). Political skills are then an "inimitable, valuable resource that can be used to neutralise, promote, or otherwise manage external constituencies" (Russo and Fouts 1997: 540). With a compliance strategy there is a tendency towards legislative and political lobbying aimed at slowing down environmental legislation’s pace. Contrastingly, within the prevention policy, firms develop skills helping them to adopt external technologies in order to meet society’s demands and possibly to “raise the bar”, whereas compliance-oriented firms develop political acumen to fight against these imperatives. Such a reactive focus could however be seen as inferior to one of prevention (Russo and Fouts 1997). This thesis asks how firms view environmental regulations; whether MNEs are cost- and compliance-, or prevention- and opportunity-oriented (RQ4).

The intangible resources of reputation and political acumen can both work for or against a company. The initial reputation is a matter of choice (e.g. “green” reputation or reputation for customer service): once it is established, it will be difficult to change. For both resources there are differences between mature, low-growth industries and new, high-growth ones. In the case of the development and use of political resources younger, high-growth industries’ political strategies tend to focus on the industry – with the aim of establishing an institutional framework amenable to all players – not on obtaining firm-specific advantages vis-à-vis competitors. The situation is more complex in older lower-growth industries where political activities are more proactive, and securing competitive advantage is sought via political means (Russo and Fouts 1997). Political tendencies also contrast in the environmental policies of compliance and prevention: compliance policy emphasises a political strategy for competitive advantage, whereas prevention policy instead emphasises technical and organisational solutions for competitive advantage. The industry to be investigated in this thesis, the automotive industry, fits Russo and Fout’s typology, as it is a mature, low-growth industry, and thus a suitable industry to investigate environmental regulations and CPAs in the context of the RBV.

Russo and Fout’s (1997) study maintains that it generally “pays to be green” as a rule; this relationship strengthens as industry growth increases. Taken as a whole, the authors show in their piece that the RBV can be applied to CSR issues, especially environmental ones, which thus shows a greater breadth of its application.

Rugman and Verbeke (1998b) discuss the development of corporate capabilities in response to both national and international environmental pressures and regulations.
MNEs often have to comply with such regulations at several institutional levels simultaneously, which may lead them to develop firm-specific advantages in the form of green resources and capabilities (Rugman and Verbeke 1998b).

Hart (1995: 986) criticises one serious omission of the RBV, that it “systematically ignores constraints imposed by the biophysical (natural) environment”, and focuses only on political, economic, social and technological aspects. In an attempt to integrate internal and external perspectives under the banner of the RBV of the firm, Hart inserts the natural environment into the RBV to develop a natural-resource-based view of the firm. He argues that “one of the most important drivers of new resource and capability development for firms will be the constraints and challenges posed by the natural (biophysical) environment” (Hart 1998: 989).

This section has shown that it is possible to introduce the natural/physical environment into the RBV, and to apply the RBV to analyses of environmental performance and regulations not only with regard to competitive strategies but also concerning political strategies. The RBV therefore presents a suitable theoretical framework for the topic of this thesis, i.e. how automotive MNEs respond to environmental regulations in the EU through pre-regulatory CPAs.

4.4 Conclusion

Related to the issue of globalization is the importance of the institutional context of international research. There is no theoretical work nor empirical findings suggesting that the existing body of knowledge, largely obtained in the context of the United States, is equally applicable in other countries. (Hoskisson et al. 1999: 445)

The above quote illustrates the need to research the institutional (non-market) environment of international business. In IB research, the RBV constitutes an increasingly useful perspective on state-firm interaction within political markets (Doh and Teegen 2002, see also Peng 2001). A contribution of this thesis is the extension of the application of the RBV to the EU context in addition to the US political context. In this thesis, the resource-based framework of Moon and Lado (2000) on MNE-host government relations has been modified to apply to CPAs. Although the RBV focuses on competitive advantage, the advantage could also be political in the context of this thesis¹. Dahan (2005b) calls this kind of advantage “public-policy advantage”.

¹ Boddewyn and Brewer (1994) include efficiency, market power and legitimacy as strategic objectives of business political behaviour.
The challenge facing researchers is to take a collection of firms that face a similar environment (e.g., firms in the same industry), to establish how these firms differ with regard to their resources (…). (Godfrey and Hill 1995: 530)

Encouraged by Godfrey and Hill, this thesis investigates the political resources that MNEs in one industry, the automotive industry, use in their relations with the EU institutions when faced with a similar environment, in this case the political context of environmental policy, and investigate how these MNEs differ in their CPAs. The exogenous nature of this context is questioned. Should this be confirmed in the findings, this could possibly lead to a modification of the RBV in this (political) context in that governmental policies are endogenous factors to corporate strategy.

According to Barney (1991), human and organisation-specific resources are the most difficult to imitate and therefore a more likely source of SCA than physical capital. For CPAs, it is expected that human resources – company representatives in Brussels – are very valuable resources for firms (see e.g. Wagner 2010). Intangible resources are analogous to human and organisational capital, while tangible resources and physical capital are analogous, and financial resources could be considered as a special kind of physical resource as Smart and Hitt (1994) remark. It is expected that intangible resources could be more important than tangible ones for CPAs.

Amit and Schoemaker (1993) and Schoemaker and Amit (1994) differentiate between resources at an industry and an individual firm level which they respectively term strategic industry factors and firm-specific strategic assets. As CPAs invariably happen on both levels, interaction between levels should be expected and therefore the thesis investigates the relationship between individual CPAs and industry association activities as addressed in chapter 2.

In this chapter, the RBV has been discussed in detail. It has been shown that there is scope and need to apply the RBV in the context of CPAs of MNEs in the area of environmental policies in the EU. The RBV is therefore used to investigate the research questions of what kind of resources and competences MNEs use in their CPAs and how CPAs differ across MNEs. Furthermore, the resource-based discussion on environmental policy elicited the question of how companies view

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122 “Financial resources typically refer to a combination of current liquid assets and unused or available debt.” (Smart and Hitt 1994: 179)

123 Moon and Lado (2000) remark that the industry and country context influences firm-specific resources and CPAs. Boddewyn and Brewer (1994) call these influences ‘conditioning factors’ in the firm, the industry and the non-market environment.
environmental regulations. The latter two questions on differences and environmental policy perspectives also emerged as a result of the discussion in chapter 2, which brought up the question on the relationship between individual and collective CPAs.

The following table summarises the gaps identified in this chapter, related to the RBV’s application to CPAs of automotive MNEs regarding environmental regulations in the EU and how the thesis addresses these.

**Table 4.2: Identified Gaps and Contribution of Thesis to RBV**

<table>
<thead>
<tr>
<th>Identified Gap</th>
<th>Addressed in Thesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBV only looks at economic and organisational competences of firms, not at political capabilities. Competitive advantages’ “unavoidable political dimension” needs to be factored into strategy and IB research. (Boddewyn and Brewer 1994)</td>
<td>Political resources and capabilities investigated</td>
</tr>
<tr>
<td>Conceptualisation of political resources needs to be empirically validated through case studies (Dahan 2005a)</td>
<td>The thesis employs a case study approach to investigate political resources according to Dahan’s typology.</td>
</tr>
<tr>
<td>Resource-based-view-oriented strategists take the non-market environment as exogenous and neutral. Attention to external environment needed (Boddewyn 2003, Amit and Schoemaker 1993, Priem and Butler 2001a)</td>
<td>The thesis questions the exogenous view of non-market institutions</td>
</tr>
<tr>
<td>RBV academics have primarily used a ‘domestic’ context in theorising about the links between corporate resources and capabilities, and economic rent (Moon and Lado 2000) Research on firm-specific political resources focused on the US domestic political process and needs to incorporate the international dimension. (Boddewyn and Brewer 1994, Frynas et al. 2006)</td>
<td>Focus on differences between MNEs from Triad regions, political resources in the EU context</td>
</tr>
<tr>
<td>Research of the MNE-host government relationship has not used insights of RBV (Moon &amp; Lado 2000, Blumentritt &amp; Nigh 2002)</td>
<td>RBV used to research MNE-host government relations</td>
</tr>
<tr>
<td>Resource-based compliance or prevention strategy in corporate environmental policy (Russo and Fouts 1997)</td>
<td>How do companies view environmental regulations?</td>
</tr>
</tbody>
</table>

To summarise, the following research questions emerged from the discussion of this chapter:

- What kind of resources and competences do firms use in their CPAs? (RQ6)
- How and why do CPAs differ across MNEs from the Triad regions? (RQ5)
- How do corporations view environmental regulations? (RQ4)
- What is the relationship between individual firm activities and industry association activities in interest representation? (RQ3)
5 Research Questions

Based on the discussion of the previous three chapters, the research questions that this thesis addresses can now be drawn together in synthesis. The following research questions emerged from the discussion in chapter 2 (*The Corporate Political Activities (CPAs) of MNEs*) from the three perspectives on CPAs: the IB literature on MNE-host government relations, Strategic Management theory (with a US emphasis) on CPAs, and Political Science (with a European emphasis) on interest representation and lobbying:

- Why do firms engage in CPAs? (RQ1)
- How do companies organise and approach CPAs? (RQ2)
- What is the relationship between individual firm activities and industry association activities in interest representation? (RQ3)
- How do corporations view environmental regulations? (RQ4)
- How and why do CPAs differ between MNEs from the Triad regions? (RQ5)

Subsequently, chapter 3 (*Environmental Regulations in the EU and their Impact on the Automotive Industry*) discussed environmental regulations with regard to the EU and the automotive industry leading to the following research questions:

- How do corporations view environmental regulations? (RQ4)
- How and why do CPAs differ across different areas of environmental regulations? (RQ5)
- What kind of resources and competences do firms use in their CPAs? (RQ6)

Finally, the following research questions emerged from the discussion in chapter 4 (*The Resource-Based View (RBV) as a theoretical framework*) on the RBV in general and as applied to MNEs, CPAs and environmental regulations:

- What is the relationship between individual firm activities and industry association activities in interest representation? (RQ3)
- How do corporations view environmental regulations? (RQ4)
- How and why do CPAs differ across MNEs from the Triad regions? (RQ5)
- What kind of resources and competences do firms use in their CPAs? (RQ6)
While RQs 1 and 2 emerged from a single chapter (Ch. 1), RQ3 and RQ6 materialised from two chapters each (Ch. 2 and 4 for RQ3, Ch. 3 and 4 for RQ6), and RQ4 and RQ5 draw their justification across these three chapters, albeit with different emphases.

To repeat and to review in synthesis, therefore, these are the research questions that the thesis addresses:

- RQ1: Why do firms engage in CPAs?
- RQ2: How do companies organise and approach CPAs?
- RQ3: What is the relationship between individual firm activities and industry association activities in interest representation?
- RQ4: How do corporations view environmental regulations?
- RQ5: How and why do CPAs differ – across different areas of environmental regulations and between MNEs from the Triad regions?
- RQ6: What kind of resources and competences do firms use in their CPAs?

A methodology that addresses these research questions is proposed in the next chapter.
6 Methodology

6.1 Introduction

There are multiple purposes of research: to describe, explain, understand, foresee, criticize, and analyse. The purpose in business research is to understand how and why things happen (Ghauri and Grønhaug 2005).

The previous three chapters on the various perspectives of CPAs, environmental regulations and on the RBV have laid the basis for the investigation, the methodology of which is discussed in this chapter. The following sections, therefore, provide an overview of the choice of methodology, instruments and cases, and the data collection in 71 interviews. As Johnson and Harris (2003) accurately point out, quantitative and qualitative research methods can be viewed as labels describing two ends of a continuum. They specify that quantitative research will be used in an area where there is a reasonable amount of existing knowledge, specific constructs and relationships between them, since quantitative research is tighter and more structured. Whereas, qualitative research methods are used where there is not enough knowledge to pin down specific constructs, variables and relationships and such methods are more suited to exploratory and theory-generating research.

Having shown in the previous chapters the exploratory nature of this piece of research, the benefits of the qualitative research methodology outweigh the shortcomings. Qualitative methods enable the generation of in-depth data in a complex context to be collected in a focused and open way (Gillham 2000a, Corbin and Strauss 2008). Such an approach has certain limitations, however. Data collection in an open way can lead to large amounts of data with the potential risk of data overload that needs to be coped with (Johnson and Harris 2003, Harrison 2003). As a result of the richness of the data, multiple interpretations might be available from the analysis (Johnson and Harris 2003). Case studies, in particular – mainly qualitative in character – are subject to the potentially biased nature of their samples and evidence, and there are doubts over cases’ sufficient

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124 Quantitative methods were initially considered, as they offer measures of statistical validity to be established for tested hypotheses. They do have certain limitations, however, such as the collection of in-depth and complex data from actors whose relationships with each other and with their context are also complex for which qualitative methods are better suited.
representativeness to permit generalisation (Keddie 2006) while the approach has also been criticised as being comparatively weak (Harrison 2003).

Nevertheless, the disadvantages of case studies and qualitative techniques do not outweigh the advantages to be gained from the use of this research design in a study of this type. A case study approach based on qualitative data was therefore chosen for this research, in view of the expected complexity from the discussion provided in the preceding chapters. It was also considered necessary in this study to triangulate data from representatives from EU institutions, the automotive industry and civil society (the societal triangle), and the case study approach is an established technique where triangulation is possible (Yin 1994). Furthermore, reasonable response rates are achievable from qualitative methods (Bryman and Bell 2003). In addition, some of the data to be collected could have been viewed as sensitive by the respondents, which also favoured the selection of a qualitative approach (e.g. Frynas et al. 2006) as respondents may have been unwilling to commit sensitive data to paper in response to a quantitative survey.

Case studies can offer the advantages of breadth and depth of information for descriptive, causative, and inductive analysis to be performed to an extent that is not possible with purely quantitative methods (Eisenhardt 1989; Miles and Huberman 1984, Yin 1994, Corbin and Strauss 2008, cf. Levy and Rothenberg 1999), sometimes because questions seeking data from other, more quantitatively based methods have to be specific and bounded to match hypotheses, which in turn may become simplified. Furthermore, the process of discussion with case interviews may offer greater flexibility and refinement of research boundaries in the early stages of a study. This can be particularly useful for exploratory research of the type described in this thesis.

6.2 Case Study Strategy as a Research Design

6.2.1 Case Study Research Design

The aim behind the case study approach is the comprehensive coverage of important factors and their interaction using different data sources (Yin 1993). In a very general manner, Bonoma (1985) defines a case study as a description of a management situation relying on multiple data sources, which are mostly qualitative – as in this research – but can also be of a quantitative nature. Verschuren (2001: 137) defines case studies holistically and iteratively in an open-ended way with the aim of
“creating maximum contrast” to quantitative surveys as reductionist types of research. Yin (1994), on the other hand, also advocates the use of relevant quantitative data in a case study research strategy. He defines a case study as an empirical inquiry, that

investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. (Yin 1994: 13)

To achieve that aim he advocates that a case study inquiry should rely on multiple data sources, which have to converge in a “triangulating fashion”.

Bonoma (1985: 26) points out that the objective of data collection in case study research is not necessarily about quantification but more about description, classification, theory development and limited theory testing, “in a word, the goal is understanding”\textsuperscript{125}. Thus, the goal is rather depth than breadth of knowing (Bonoma 1985) as the basic case study involves the detailed and intensive analysis of a single case (Bryman and Bell 2003). Ghauri and Grønhaug (2005: 114) refer to case research as “qualitative and field-based construction and analysis of case studies” which often involves data collection from multiple sources. They point out that the trade-off between precision and generalisability, which can characterise case studies, is not useful for all situations.

A case is a matter of explanation and description (Becker 2000). In this thesis, the general topic of study is CPAs of MNEs in the area of EU environmental regulations, and therefore the 11 automotive MNEs that are active in CPAs in Brussels constitute the cases\textsuperscript{126}. Within the general regulatory area of environmental regulations, three specific subsets have been selected: pollutant emissions, CO2 emissions and ELVs. These areas were all particular examples of environmental regulations and were therefore expected to show some similarities, but they may also have differences in view of their varying environmental objectives. As Stake (1995) underlines, researchers are interested in cases for both their uniqueness and commonality. Cases, according to Stake (1995), are specific, complex, functioning things, an integrated system – characteristics that apply to the automotive MNEs investigated for their CPAs with regard to EU environmental regulations.

\textsuperscript{125} See also Denzin (1970) for discussions on qualitative observations serving more than exploratory, or pilot, function for theory, that is, also testing and verifying theories.

\textsuperscript{126} This implies that the whole population of politically active automotive MNEs in Brussels are investigated.
6.2.2 The Case Study and the Research Question

The main research question “how do MNEs’ CPAs differ?” (RQ5) is derived on the one hand from the RBV as reviewed in chapter 1 and 4, and on the other hand it responds to a call for papers for a special issue of the Journal of International Business Studies\(^{127}\). A sub-question of RQ5 asks, “why do CPAs differ?”. The source of the research question is thus from the technical literature as classified by Corbin and Strauss (2008).

According to Yin (1994), the case study strategy is an appropriate and advantageous strategy for “how?” and “why?” questions (see also Long and Godfrey 2004). As this research attempts to answer how and why CPAs differ, the research design is consistent with the research question, which is the best way of solving a question, according to Ghauri and Grønhaug (2005) and Corbin and Strauss (2008), i.e. letting the research question guide the methodological approach.

6.2.3 The Case Study and CPAs

Shaffer (1995) emphasises the strength of case study approaches to the investigation of CPAs, which comes from the mainly qualitative nature of case studies, and the use of longitudinal designs. In particular, case studies, he argues, account better for political behaviour on specific policy issues. On the other hand, he also acknowledges the classic limiting problem of generalisability which has been countered by investigating the whole population of automotive MNEs politically active in Brussels (11 cases) in three environmental regulatory areas and by triangulating the sources of data.

Boddewyn (2006) advocates the use of case studies and personal interviews for the study of international public affairs, that is, CPAs\(^ {128}\). Holtbrügge and Berg (2004) also point out that respondents only talk about these subjects in an atmosphere of trust, which is facilitated by face-to-face interaction. This is echoed by Frynas et al. (2006) who underline that political resources are difficult to evaluate in quantitative terms.

\(^{127}\) This call was published in 2005 for a focused issue on “Three lenses on the Multinational Enterprise: Politics, Corruption and Corporate Social Responsibility” and the research questions included amongst others “How do MNE political strategies vary across nations?”.

The case study method offers the opportunity to adopt a longitudinal perspective instead of only a snapshot of a present point in time as in many studies (see Schofield 2002, Ghauri 2004, Orum et al. 1991). Since the policy process in the EU can take years from proposal to adoption of legislation (as for example with the ELV directive) a longitudinal element is important.

In the Political Science literature, the case study approach is frequently used and often the norm (see for example Mitchell 1983, Orum et al. 1991, Eckstein 2000, Verschuren 2001, Gerring 2007, personal exchange with political scientists). Greenwood et al. (1999) point out that case study research is well suited to many of the research questions within European interest representation.

Bonoma (1985) highlights that not all phenomena are amenable to quantification, as there are limitations to the understanding that can be gained through quantitative methods due to difficulties in measurement and analytic technology. Given the sensitive nature of CPAs, the often covert nature of political behaviour, and companies’ reluctance to disclose quantitative information like expenditure in this area, a qualitative approach is therefore more suitable (see e.g. Frynas et al. 2006). Considering the sensitivities interviewees might have and did have with this topic, it is questionable whether they would commit themselves to paper in a questionnaire (in addition to the researcher’s uncertainty of who would actually fill it out).

Furthermore, the area is a contemporary set of issues over which the researcher has no control, and it is a contemporary phenomenon in a real-life context, where a case study strategy offers benefits (Yin 1994, Harrison 2003, Ghauri 2004). One of the strengths of the case study approach is the ability to handle a variety of evidence (Yin 1994): as CPAs are often seen in a critical light it is important to collect data not only from firms but also from other stakeholders (the “lobbied” European institutions and other stakeholders and observers such as related industries and NGOs).

### 6.2.4 The Case Study and the RBV

An acceptance of qualitative methods does not reduce the importance of the traditional positivist economic method, rather it

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129 See also Buckley and Chapman (1996) for the importance of the time dimension in IB research.

130 Weiss (1996: 226) also points out that respondents from different cultures – as is the case with this research – might also “differ in their attitudes toward providing factual versus desired information, and written versus verbal information, and in their willingness to divulge information to researchers” in research involving questionnaires.
should be considered to be complementary. (Lockett and Thompson 2001: 742)

Rouse and Daellenbach (1999, cf. Barney et al. 2001) argue for the use of qualitative methods when intangible resources are to be diagnosed. Resources that are valuable, rare and inimitable are usually intangible and thus difficult to measure (Godfrey and Hill 1995, Hoskisson et al. 1999).

It may be that many of the insights of the Resource-Based View, particularly where less tangible resources are involved, can only be explored using a case study approach, something many economists have been reluctant to do. (Lockett and Thompson 2001: 742)

In line with the view expressed by Lockett and Thompson, this thesis adopts a case study approach to investigate political resources employed by MNEs for CPAs in the EU. Qualitative methods are increasingly used to identify corporate resources in the RBV. Indeed, it is the RBV that reintroduced (inductive) case-based methods focused on a single case or a few companies to the field of Strategic Management (Hoskisson et al. 1999). Similar points are raised by Gibbert (2006a) and Denzin (1970) who advocate bringing theory and method closer together – methods are major ways by which observations are gathered to test, modify and develop theory (Denzin 1970). Case study methodology can be appropriate for RBV studies as it has the potential to provide much richer information about corporate idiosyncrasies as Hoskisson and his fellow authors (1999: 418) point out:

Calls for the use of qualitative methods to identify a firm’s resources are increasing as each firm is considered to have a distinctive bundle of resources.

Kor and Mahoney (2000: 123) emphasise that Penrose, one of the predecessors of the RBV, is an “exemplar of building theory from case-study research” and point to several examples of the use of case studies in RBV.

Single industries provide an important context for the examination of resources, which are critical to the industry in question (Hoskisson et al. 1999), although there must be a trade-off in terms of limited generalisability. By selecting cases strategically, however, generalisability can be increased (Flyvbjerg 2006).

6.2.5 The Case Study for Industry Research

According to Eisenhardt (1989), the case study is a research strategy, which concentrates on understanding the dynamics within single settings. The approach is therefore suited to study the CPAs of 11 cases of automotive MNEs for three areas
of environmental regulations within the unique setting of Brussels as the so-called capital of the EU.

Multiple levels of analysis are possible within case study research and embedded multiple case studies can handle several units of analysis of several cases (Yin 1994). In the context of this thesis these considerations translate into the following:

- Within one single industry – the automobile industry – there are the following units of analysis. The main unit of analysis is the case (see Miles and Huberman 1994), i.e. the individual MNEs at the firm-level – 11 cases of automotive MNEs politically active in the EU, as the main research question addresses differences in MNEs’ CPAs. This unit of analysis also ties in with the theoretical framework of the RBV where individual firms are the focal point for the study of firm differences. The overarching unit is the car industry at supra-level whereas corporate government affairs functions and offices with the individuals working in them at the sub-level are sub-units of analysis. The industry as a separate level needs to be considered due to the nature of CPAs in the EU, which is not only at a firm-level but also strongly at the industry-level through industry associations.

- Three areas are chosen within one industry as the focus of the case studies. These are the regulatory areas of pollutant emissions, CO2 emissions and ELVs. Three subsets have been selected within environmental regulations for the automobile industry so as to not rely on one single area and thus to increase external validity (Yin 1994). Furthermore, by looking at three areas in comparison, idiosyncratic aspects may be seen in perspective (Miles 1979).

It was decided to focus on three regulatory areas within one single industry in order to increase the depth and richness of the data. The selection of more industries would have added breadth, but at the same time it would have made it impossible to cover the topic in adequate depth in the time available for a PhD thesis. As Gerring (2007) points out, better understanding is gained of the whole (that is, CPAs in the EU) by focusing on a key part (the automotive industry as the largest manufacturing industry in the EU).

6.3 Instruments and Sources for Data Collection

This use of multiple sources of evidence, each with its strengths and weaknesses, is a key characteristic of case study research. (Gillham 2000a: 2)
According to Gillham (2000a), the case study approach is a main method with various sub-methods consisting of for example interviews, observation, document and record analysis. It is a multi-method approach that uses triangulation, one of the “defining features” of a case study (Ghauri 2004: 115). Triangulation is

> the use of more than one method or source of data in the study of a social phenomenon so that findings may be cross-checked. (Bryman and Bell 2003: 575)

Triangulation is thus the rationale for using multiple sources of evidence\(^{131}\). A single source approach is not recommended for case studies and a good case study will try to use as many sources as possible (Yin 1994). Denzin (1970) underlines that each method reveals different aspects of empirical reality and therefore multiple methods of observation need to be employed, that is, triangulation. Dealing with a wide variety of evidence is inherent to the case study strategy and the opportunity to use many different sources of evidence is a major strength of the approach (Yin 1994). The most important advantage presented by using several sources is the “development of converging lines of inquiry”, which is the process of triangulation (Yin 1994: 92). Any finding or conclusion is more convincing and accurate if based on different sources of information, following a corroboratory mode, using multiple perceptions for clarification (Yin 1994, Stake 2000a). This is confirmed by Ghauri and Grønhaug (2005: 222):

> The main advantage of triangulation, however, is that it can produce a more complete, holistic and contextual portrait of the object under study. In the case study method this is particularly important as you need to check and validate the information you receive from various sources.

By adopting triangulation strategies, data validity and generalisability can be pursued simultaneously. These also provide the corroboration of findings across instruments within a single research project (Bonoma 1985). Additional observations may give grounds for revisiting interpretations of the data (Stake 1995).

Two kinds of triangulation are used in this thesis – the triangulation of methods and the triangulation of sources – in order to be able to research CPAs in their context.

\(^{131}\) Seale (1999) points to the term’s analogy with surveying or navigation and Stake (1995) to celestial navigation.
By using two types of triangulation a strategy of multiple triangulation is followed (Denzin 1970). These two types of triangulation are now discussed in turn\textsuperscript{132}.

6.3.1 Triangulation of Methods – Interviews and Documentation

The research instruments used in this thesis are semi-structured interviews, supported by documentation from primary and secondary sources such as reports, policy and legal documents, from the stakeholders. Verschuren (2001: 131) points out that using several methods to gather material avoids “tunnel vision” and Crotty (2006a) uses triangulation of interviews with other, secondary, materials to counter ‘self-reporting bias’ or ‘halo’ affected responses.

With interviews and documentation, the research instruments used are mainly qualitative tools. As there are only a limited number of companies (11 cases of MNEs active in CPAs in Brussels), which would obstruct statistical analysis, and as the nature of the research is rather exploratory, qualitative instruments are appropriate for this study. Another factor supporting the use of qualitative instruments is that the evaluation of CPAs is rather problematic as the outcome is very difficult to measure in quantitative terms and, often, there is a wide range of factors contributing to a policy result. There are debates among practitioners in the field as to what extent the successes or results of CPAs are measurable and quantifiable (Public Affairs Manager 2005, ECPA Annual Conference 2007).

Interviews

The main advantage of interviews is that they are collected for a particular project or specific study at hand (Ghauri and Gronhaug 2005) and provide rich, original data (Travers 2001). The potential weaknesses of interviews include bias due to poorly constructed questions, response bias, inaccuracies due to poor recall, and reflexivity, where the interviewee gives what the interviewer wants to hear (Travers 2001). These weaknesses have been carefully considered when constructing the interview guide. They have been countered by using documentation as a supportive method. Furthermore, using multiple sources of interviews has been the strongest factor in meeting weaknesses such as response bias and poor recall, which could then be

\textsuperscript{132} Patton (1987) furthermore distinguishes between investigator triangulation and theory triangulation. Here, data triangulation and methodological triangulation are considered (see also Corbin and Strauss 2008 and Denzin 1970 on these types of triangulation).
cross-checked. Harrison (2003) also advises to obtain a range of views from a wide body of opinion when selecting informants.

Gillham (2000a) supports the use of interviewing when material is sensitive in character, which is the case for topics such as lobbying and interest representation. This means that trust is involved and people might disclose more face-to-face than they would in an anonymous questionnaire (Gillham 2000a). A deeper rapport can also be developed with informants in interviews (Daniels and Cannice 2004, Denzin 1970).

There are several forms of interviews ranging from open-ended, narrative to survey-like structured closed interviews\(^{133}\). The semi-structured interview is both flexible and standardised at the same time (Gillham 2000a). The standardised or structured element is important in case study research involving multiple cases in order to compare responses and to ensure cross-case comparability (Daniels and Cannice 2004, Bryman and Bell 2003).

**Documentation**

Documentary information is a relevant source of data for case studies (Yin 1994). It can take many forms and varieties (Yin 1994: 81, Ghauri and Grønhaug 2005: 92ff, Corbin and Strauss 2008: 27). For case studies, “the most important use of documents is to corroborate and augment evidence from other sources” (Yin 1994: 81). Documents are secondary sources not specifically created or collected for the purpose of the current research. The most important documentation for this research consists of documents from the chosen stakeholder organisations (automotive and related companies and industry associations, European Commission and Parliament, NGOs). Further secondary sources include academic writings and other published material related to the regulatory areas, for instance from the mass media.

By combining information from secondary and primary data, the research questions are often best understood, as Ghauri and Grønhaug (2005) stress. Furthermore, secondary data is easier to access and collect than primary sources. The authors advocate consulting secondary sources before the primary data collection. This procedure was followed for the thesis at hand where secondary sources provided a very important input into the preparation for the data collection through interviews.

\(^{133}\) Bryman and Bell (2003: 119) list the following types of interviews: structured, standardised, semi-structured, unstructured, intensive, qualitative, in-depth, focused, focus group, group, oral history and life history.
As a tool, documentation is stable and can be reviewed repeatedly; it is unobtrusive and can be very exact for names, references, and details. Furthermore, it ensures a broad coverage in terms of time, events and settings (Yin 1994). The coverage of time is relevant in this context as the three regulatory areas researched had preceding events in the early 1990s and late 1980s (e.g. for pollutant emissions).

Documentation exhibits weaknesses as well (Yin 1994) such as potential low retrievability (countered through online availability and contact to organisations), biased selectivity if the collection is incomplete (met by different sources selected), reporting bias may reflect (unknown) bias of author (countered by multiple sources), or access could be deliberately blocked (paid information sources consulted through free trials).

6.3.2 Triangulation of Sources – Sampling

Case study research can consist of hybrid strategies with multiple sources of evidence (Yin 1994). Due to the negative image and connotation that CPAs have in some countries and languages ("lobbying scandals"), it is vital to use multiple sources of evidence. These are needed to convey a "true picture" of CPAs instead of "painting a one-sided picture" solely by companies who might try to portray their political activities in a positive light or might be reluctant to answer critical questions. Multiple sources of evidence were thus envisaged from the outset in order to enhance the reliability through different perspectives. Luo (2001) suggests obtaining matched samples to investigate MNE-host government relations from both MNE and government perspectives which was done in this thesis by interviewing representatives from companies and EU institutions. The following details how the sources were chosen.

The chosen organisations and interview partners were identified due to their role as stakeholders in the policy-making process of EU environmental regulations for the automobile industry. These organisations have an interest in this process and try to influence it.

Van Tulder and Van der Zwart (2006: 8, Figure 1.1) introduce the societal triangle which consists of the institutions of the state, market and civil society. In this thesis, these three corners or sides of the figure as sources of data specifically triangulate MNEs’ CPAs in EU environmental regulations as graphically demonstrated in the figure below. Whilst it could be argued that the societal triangle is simplistic, it serves
as a conceptual tool rather than as an accurate reflection of reality. This is also acknowledged by Van Tulder and Van der Zwart (2006: 12) who state that none of the three institutional spheres operate in isolation as the “societal triangle and its institutional arrangements are complex”.

Figure 6.1: The societal triangle – Triangulating CPAs (based on Van Tulder and Van der Zwart 2006: 8, Figure 1.1: The societal triangle\textsuperscript{134})

Van Tulder and Van der Zwart (2006: 8-9) define civil society to represent the “sum of social relations among citizens that structures society outside politics and business”, which includes voluntary organisations, societal groupings, churches and trade unions as well as the family. This is similar to the definition by Richter (2002), used by Crotty (2003a: 490), whereby civil society consists of “autonomous voluntary associations”, also referred to as the “third sector”\textsuperscript{135}. By including civil society, the “widest possible coverage of knowledge and opinions” (Crotty 2003b: 464) regarding automotive MNEs and their CPAs was attempted.

In this context, the most important stakeholders, from each side of the triangle are the following:

- Government: these are legislators, policy-makers, and public decision-makers, that is, the European Commission and the EP, the Council of Ministers (governments of member states). The Commission is responsible for proposing and executing legislation, whereas the EP and the Council adopt it after possible amendments.

\textsuperscript{134} Meznar and Nigh (1993: 32) use a similar graphic, calling it the “social contract framework”.

\textsuperscript{135} There are indeed various definitions of civil society in literature (Crotty 2009, based on Jensen 2006).
➢ Market: this is the business side represented by the major stakeholders – automotive companies and the European industry association as well as national industry associations. The market consists of the players that affect the natural environment through their operations and are thus affected by environmental legislation introduced by the government side. Other market stakeholders are companies and associations from adjacent and related industries such as suppliers (components, units and raw materials), petroleum companies (for fuel emissions quality), and recyclers (for ELVs).

➢ Civil society: mainly environmental NGOs. Their stake in environmental policy is their interest in environmental protection, which involves trying to influence government to restrict business activities, which are potentially harmful to the environment. Other stakeholders here include unions, consumer organisations, media and academic institutions. As civil society organisations are involved in the Commission’s pre-legislation discussions through stakeholder meetings, these organisations are able to provide a third perspective on CPAs.

The stakeholders were identified by investigating contributions to the consultation process of EU legislation as well as by following up references in organisational documents, and academic and professional publications related to the regulatory areas. In those situations where the initial contact felt they were not able to offer helpful information, they recommended alternative respondents in their stead. Importantly, the author was also given recommendations by interviewees. Appendix A specifies which particular organisations were contacted as sources for interviews and documentation.

6.4 Data Collection

The following is a summary of the data collection process for this research in 2006 and 2007.136 Potential interview partners who were contacted fell in two categories: individuals who had been identified through the investigation of various secondary sources, and individuals who were recommended by interviewees and/or other contacted individuals (who were not available themselves for interviews). Through

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136 See also Zalan and Lewis 2004 for writing about data collection.
this process it was attempted to find the right individuals for the research question and for this study, and not the most “important” person (Ghauri and Grønhaug 2005) who might not necessarily be familiar with policy details.

Addresses and names of the individuals were accessed through web-based research (organisational websites, e.g. EP hearings and plenary discussion, Commission documents) and The European Public Affairs Directory, which is a comprehensive guide to key contacts in corporations, EU institutions, trade associations and NGOs, as well as law firms, consultancies and media (Landmarks 2006). This enabled the author to contact all 11 case companies. When this author was referred to the same people repeatedly it was clear that the relevant stakeholders had been targeted and reached (saturation sampling).

Table 6.1: Interview guide for semi-structured interview

<table>
<thead>
<tr>
<th>GENERAL questions on CPAs</th>
<th>ASSOCIATION v. FIRM level</th>
<th>EUROPEAN v. NATIONAL level</th>
<th>ENVIRONMENTAL regulations</th>
<th>ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivational factors</td>
<td>Coordination, Cooperation, Competition, Resources and competences (Personnel, Expertise, Organisation, Learning Processes)</td>
<td>Experiences Relations Headquarters v Brussels Producer Regions Europe, North America, Japan</td>
<td>Interests and Positions Euro norms CO2 ELVs</td>
<td>Strengths Weaknesses Overall.</td>
</tr>
<tr>
<td>Organisation Approach</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Contact was made initially by e-mail, which was then followed up by telephone calls to arrange meetings. A general interview guide was prepared (see Table 6.1 above) which was then adapted to each interviewee and given greater detail (see Table 6.2 below). Extensive documentation research served as input to the interview questions based on the research questions that arose out of the literature and theory (see previous chapters). Interview guides were discussed with a social science lecturer at Loughborough University working on political marketing and the academic director of the DIPA (German Institute for Public Affairs, Berlin) where the author was a research fellow during a two-month research visit in 2006. Suggestions were also received from a practitioner in Brussels who had written her PhD on policy networks in Japanese automobile lobbying in Europe a few years earlier. Furthermore, the

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137 He was recommended to this author at the annual conference of ECPA – European Centre for Public Affairs – by a lecturer in Political Communication and Public Affairs from the University of Ulster.
book of Gillham (2000b) on research interviews was used for advice. It was ensured that the interview questions addressed the research questions raised by this study. In the interviews, general questions across the three regulatory areas were asked first (e.g. motivational factors and organisation) and the subsequent questions were then narrowed down to the specific instances of environmental regulations to allow for greater exploration of themes.

The following table shows the core questions for the interviews, including sub-questions and prompts, and how the wording was adapted for specific interviewees as different stakeholders.\(^{138}\)

**Table 6.2: Interview guide with core interview questions**

<table>
<thead>
<tr>
<th>GENERAL questions on government relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>What are the main motivational factors</strong> for your firm to engage in CPAs? (for automotive firms, for your association, for the automotive industry)</td>
</tr>
<tr>
<td>2. <strong>How are</strong> your company’s/the industry’s <strong>CPAs organised</strong>? Are CPAs integrated into your/the company’s overall strategy?</td>
</tr>
<tr>
<td>3. <strong>What is</strong> your company’s/the industry’s <strong>approach to CPAs</strong>? How would you describe the approach? (Prompts: cooperative? confrontational? proactive? reactive?) (Is it different than other companies in the industry and if so how? Why are there differences?) What are the main topics you cover/that are covered?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ASSOCIATION V FIRM level</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. What is the relationship between your firm’s activities and the association’s activities in interest representation? (between individual firm’s and the association’s) (Prompts: cooperation? competition? complementarity? What role does your firm play in the association?)</td>
</tr>
<tr>
<td>5. <strong>What kind of firm-specific resources and capabilities</strong> does your firm/the industry <strong>employ in</strong> your/their CPAs? What role do they play? (Prompts: Dahan’s typology of political resources: human resources and expertise, financial resources, relational resources, organisational resources, reputation with other non-market actors, public image, support of stakeholders and recreational skills)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EUROPEAN V NATIONAL level</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. <strong>Where are policy positions developed</strong>? At headquarters? At Brussels? How is it coordinated?</td>
</tr>
<tr>
<td>7. <strong>What is the European lobbying approach in the automotive industry</strong>? How would you describe American and Japanese approaches to lobbying?</td>
</tr>
</tbody>
</table>

\(^{138}\) See also Crotty (2003c) as well as Crotty and Crane (2004) for an approach with a set of base or core questions with individual adaptation and supplementary questions in semi-structured interviews.
Differences? What kind of differences? **Do you see differences in the automobile industry between firms from different regions when it comes to interacting with policy-makers?** In how far are companies influenced by their home country culture in their lobbying? Are European companies at an advantage compared to US and Japanese companies?

**ENVIRONMENTAL regulations**

8. **How are environmental regulations viewed** in your organisation/the industry? (Prompts: costs *versus* innovation?) Has the approach to CPAs changed with the growth in environmental regulations?

9. **To what degree was** your company (the industry association) **involved in discussions on Euronorms/CO2/ELVs?** What was your/their approach in the discussions? Could you describe (in detail) what happened during the process?

**ASSESSMENT**

10. Where do you see **strengths and weaknesses** in the work of your company/the association/the automotive industry in the area of government relations?

11. **Overall:** Looking back at your time (in/with the automotive industry) how do you rate/assess the government relations activities of the automotive industry in general/with regard to environmental policies (Euro norms/CO2/ELV)?

As a reminder, the following are the research questions that emerged from the discussion in the previous three chapters:

- **RQ1:** Why do firms engage in CPAs?
- **RQ2:** How do companies organise and approach CPAs?
- **RQ3:** What is the relationship between individual firm activities and industry association activities in interest representation?
- **RQ4:** How do corporations view environmental regulations?
- **RQ5:** How and why do CPAs differ – across different areas of environmental regulations and between MNEs from the Triad regions?
- **RQ6:** What kind of resources and competences do firms use in their CPAs?

Interview question (IVQ) 1 relates to RQ1, while IVQs 2 and 3 address RQ2. RQ3 is addressed by IVQ4. IVQ5 addresses RQ6 while IVQ8 addresses RQ4. RQ5 is addressed by IVQs 6, 7 and 9 concerning the three areas of environmental regulations. IVQs 10 and 11 were asked in order to conclude the interviews with an assessment and to obtain the overall views of the respondents on automotive MNEs’ CPAs regarding EU environmental regulations, and to allow the development of recommendations for the constituent stakeholders (Ch. 9).
Before the interview, a letter was sent confirming the time and place of the interview and offering interviewees advance sight of the interview questions. Some interviewees were contacted by telephone at short notice directly in Brussels after having been recommended in interviews.

Data was collected in Brussels where corporate managers in the governmental affairs functions (all 11 case companies bar one), industry associations (automotive and related industry), EU institutions (Commission and EP), and environmental NGOs were interviewed. Most interviews were face-to-face although some had to be carried out over the telephone due to time and travel restraints. Some interviews were followed-up by questions via e-mail. Afterwards, the interviewees received an e-mail to thank them for their time and contribution to the research with an offer for a summary of the findings once completed.

The most recognizable term for public policy advocacy is lobbying. Unfortunately, this term carries an unfavorable image in today’s political environment. (Lumpkin 2007: 42)

Ghauri and Grønhaug (2005) advocate the use of simple and understandable language and careful consideration of terminology and the use of concepts of a particular discipline. It was noticed during the first stage of data collection (Brussels, June 2006) that the main (academic) terminology used in the thesis, that is, “corporate political activities”, was not necessarily familiar for interviewees. Consequently, the author adopted terminology that was more familiar to the respondents, such as, “business-government relations”, “lobbying” and “interest representation”. Allowing time for reflecting on experiences during the first stage benefited the research design, in that modifications could be made to improve the second stage. In the second and third stage (Berlin, October 2006; Brussels, March 2007) the term CPAs was – also upon advice of the DIPA’s director – modified to terms like government and policy relations as lobbying can have a negative connotation in several European countries and languages (see above quote and McGrath 2005). The wording was also changed because anything “political”, as in corporate political activities, might arouse suspicion in corporations. These issues about terminology and the potentially negative connotation of the word “lobbying” or misunderstandings could easily be clarified in the face-to-face interviews which is certainly an advantage over surveys where there is limited control as to how respondents understand terminology and as to who is responding.

The issue of CPAs is – as demonstrated – a controversial topic and for this reason anonymity is important to interviewees and therefore all quotes have been...
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anonymised, even though Yin (1994) advocates that it would be preferable to disclose information (see also Miles 1979 regarding issues with anonymity, and Corbin and Strauss 2008 regarding confidentiality). During the first stage of the data collection, some companies (particularly French and Japanese ones) were very reluctant to grant interview requests despite reassurances regarding confidentiality and anonymity. After continued requests, these companies eventually also agreed to be interviewed, thus enabling a broader basis for the analysis and findings. Gillham (2000a) supports the use of interviewing when material is potentially sensitive in character, which is the case for lobbying (Hadjikhani and Ghauri 2001). This means that trust is involved and people might disclose things face-to-face, which they might not disclose in an anonymous questionnaire (Hadjikhani and Ghauri 2001).

Interviews were mostly recorded on tape (42 interviews), and partly recorded by means of hand-written contemporaneous notes (29 interviews). Notes were taken due to the potentially sensitive nature, and when requested by interviewees. However, when the interviews were recorded, the answers did not seem to be affected and consequently this author continued to record further interviews. This made the interviews more flexible (Bryman and Bell 2003) as the author could better react to the responses of interviewees, and potential information loss through insufficient notes could be avoided. Other advantages of recording and subsequently transcribing interviews aside from correcting natural memory limitations include a more through examination of interviewees’ answers, repeated study of their answers and the possibility for the data to be reused in other ways (Bryman and Bell 2003, see also Roulston et al. 2003).

In total, 71 interviews were carried out. In the following, some descriptive statistics about the interviews and interviewees are displayed and discussed. Between 130 and 140 potential interviewees were contacted, and thus the response rate is above 50%. Considering the contentious nature of the subject, this is deemed to be a very high response rate. As the policy community involved in regulations for the automotive industry at any one time involves 30-50 people who work on this issue and are in a permanent discourse (Interview MEP7\textsuperscript{139}, Rel3) where the “same faces” are seen “in many different fora” for the automotive environment area (\textit{sic}, IV Com11), this study is expected to have covered exhaustively most people involved in this type of legislation in the past and recently, as well as the wider circle of

\textsuperscript{139} See List of Abbreviations and separately provided key to interviews, according to societal triangle and organisational type (for examiners’ use only).
observers and related stakeholders and industries not continually involved in automotive legislation\textsuperscript{140}. Furthermore, 11 automotive companies active in Brussels except for one were directly interviewed and therefore the whole population was covered\textsuperscript{141}. When this author was continually referred to the same people it was clear that all the relevant stakeholders had been interviewed and saturation had been reached (Corbin and Strauss 2008).

Following the societal triangle of Van Tulder and Van der Zwart (2006), the distribution of interviewees among these three sides is as follows, which also roughly reflects the distribution of these three sides in reality.

\textit{Table 6.3: Side of Triangle}

<table>
<thead>
<tr>
<th>Side of Triangle</th>
<th>Market</th>
<th>State</th>
<th>Civil Society</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>36</td>
<td>26</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Percent</td>
<td>50.70</td>
<td>36.62</td>
<td>11.27</td>
<td>1.41</td>
</tr>
</tbody>
</table>

The following table shows the distribution of interviewees among the stakeholder organisations in more detail.

\textit{Table 6.4: Overview of distribution of interview partners}

<table>
<thead>
<tr>
<th>Organisation/Interview Partner</th>
<th>Number of Interviews</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Side:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Public Affairs Offices (Automotive Industry + Related Industry)</td>
<td>((15 + 5) = 20)</td>
<td>36</td>
</tr>
<tr>
<td>Business Associations (Automotive Industry + Related Industry)</td>
<td>((7 + 9) = 16)</td>
<td></td>
</tr>
<tr>
<td><strong>State Side (EU Institutions):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EP Commission</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Council</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td><strong>Civil Society Side:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental NGOs</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Consumer Organisations</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Others (Informal Meeting, automotive industry):</strong></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>71</td>
</tr>
</tbody>
</table>

The response rates for the individual triangle sides were approximately 60% for the market side, 50% for the state side and 30% for the civil society side. The latter can be explained by the job sharing environmental organisations tend to do in Brussels where the big organisations (the so-called “Green 10” group of environmental NGOs) do not cover everything and leave certain specialised areas to one another (see e.g.\textsuperscript{140} This limited number of potential interviewees also advocated against a quantitative approach.\textsuperscript{141} This less active company had closed its offices a few years back and these were due to open again. It is closely affiliated to another company through cross share-holdings, which was interviewed, and also other companies were able to inform and comment about its activities.
IV NGO2-A\textsuperscript{142}. It should also be noted that whilst significant effort was made to include trade unions and media (newspapers) from civil society in the data collection, they did not respond to the author’s repeated requests for interviews, despite those requests being made by both email and telephone.

Among the regulatory areas, the interviewees were distributed as shown in Table 6.5. As company representatives in Brussels often cover environmental regulations in general, many had covered all three areas whereas Commission officials or Members of the European Parliament (MEPs) were more likely to have dealt with only one area at a time.

Table 6.5: Distribution of interviewees among regulatory areas

<table>
<thead>
<tr>
<th></th>
<th>ELV</th>
<th>CO2</th>
<th>Euro</th>
<th>Euro/CO2</th>
<th>ELV/Euro</th>
<th>All 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>14</td>
<td>7</td>
<td>12</td>
<td>2</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td>Percent</td>
<td>19.72</td>
<td>9.86</td>
<td>16.90</td>
<td>2.82</td>
<td>4.23</td>
<td>46.48</td>
</tr>
</tbody>
</table>

Table 6.6: Data Collection Stage

<table>
<thead>
<tr>
<th></th>
<th>1 Brussels June 2006</th>
<th>2 Berlin autumn 2006</th>
<th>3 Brussels March 2007</th>
<th>4 Telephone 2007</th>
<th>In between</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>15</td>
<td>1</td>
<td>31</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Percent</td>
<td>21.13</td>
<td>9.86</td>
<td>43.66</td>
<td>21.13</td>
<td>4.23</td>
</tr>
</tbody>
</table>

As shown in Table 6.6 the main data collection stage was in 2007. Whereas the first stage of interviews in 2006 only regarded the voluntary CO2 agreement between the European Commission and carmakers, the subsequent interviews included the two further areas on pollutant emissions and ELVs. Although the CO2 agreement had been concluded in the late 1990s, it was nearing a stage of review and assessment for future policy options in 2006 and 2007, and hence there was limited willingness to discuss it among company sources. This is exemplified by the following email this author received in May 2006:

This issue being very strategic and sensitive for our association and other car manufacturers associations as well, you may understand that we cannot have an open discussion for the time being. Any misinterpretation at this stage may damage the auto industry in Europe and, result in regulatory measures targeting CO2 ahead of 2008/2009, whether at EU or Member States level.

\textsuperscript{142} This was confirmed by a former employee of one of the “Green 10” group of environmental NGOs, turned doctoral researcher, who underlined that, although these organisations are small in numbers (in terms of human resources), they are a trusted source of information for the Commission (see also NGO1-A). Therefore, they were an important part of the data collection for this thesis to provide credibility to the findings. Furthermore, as these organisations tend to share the workload in between them, only the relevant organisations made themselves available for interviews.
As a result of this communication and the first data collection stage, it was decided to broaden the area of research, as there was a concern that only limited data would be forthcoming. This approach was consistent with Yin (1994) who stresses the need for adaptiveness and flexibility when conducting case study research including the identification of (a) new case(s) for study (see also Harrison 2003 for adjustments when data cannot be collected as originally planned). Adding two additional but related areas enabled the triangulation of findings across three instances of environmental regulations sharing both differences and similarities. It added breadth to the use of just one area – which would have been a less optimal foundation for generalisation (Stake 1995 and 2000b) – and depth to the investigation of one single industry in which all 11 case companies were covered. The first data collection stage can therefore be seen as a pilot inquiry, the importance of which Yin (1994) stresses.

The interviews took place in various locations (see Table 6.7 below), and 15 telephone interviews were conducted with people not or no longer located in Brussels or not available at the time of the author’s research stay there.

Table 6.7: Place of Interview

<table>
<thead>
<tr>
<th></th>
<th>Telephone</th>
<th>Respondent office, Brussels</th>
<th>Public place, Brussels</th>
<th>Respondent office, Berlin</th>
<th>Public Place, Berlin</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>15</td>
<td>45</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Percent</td>
<td>21.13</td>
<td>63.38</td>
<td>7.04</td>
<td>4.23</td>
<td>2.82</td>
<td>1.41</td>
</tr>
</tbody>
</table>

The following two tables display some of the demographics of the interviewees. It can be seen that the automotive industry and its stakeholders in related industries and the EU institutions is a male-dominated industry. As the German automotive industry is the largest in Europe (Economist Intelligence Unit 2009), with a market share of 30%, and as German MEPs have been rapporteurs for many car-related dossiers (see EP website), a high number of German interviewees was expected from the outset. Although French manufacturers have a market share of above 20%, French MEPs do not hold any important or relevant committee or rapporteur positions as an interviewee from a French company pointed out (Interview EU5-B), a circumstance which was confirmed by the information in the EP’s organisational documents on the various relevant dossiers.

Table 6.8: Distribution of gender

<table>
<thead>
<tr>
<th></th>
<th>Female</th>
<th>Male</th>
<th>Mix (+2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>9</td>
<td>59</td>
<td>3</td>
</tr>
<tr>
<td>Percent</td>
<td>12.68</td>
<td>83.10</td>
<td>4.23</td>
</tr>
</tbody>
</table>
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Table 6.9: Nationality of Respondents

<table>
<thead>
<tr>
<th></th>
<th>UK</th>
<th>D</th>
<th>F</th>
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<th>AU</th>
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<th>Jap.</th>
<th>NL</th>
<th>US</th>
<th>Mix</th>
<th>?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ttl</td>
<td>9</td>
<td>30</td>
<td>8</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>%</td>
<td>12.7</td>
<td>42.3</td>
<td>11.3</td>
<td>4.2</td>
<td>4.2</td>
<td>4.2</td>
<td>2.8</td>
<td>1.4</td>
<td>2.8</td>
<td>1.4</td>
<td>2.8</td>
<td>1.4</td>
<td>7.0</td>
<td>1.4</td>
</tr>
</tbody>
</table>

(Adjunctions: United Kingdom, Germany, France, Italy, Sweden, Finland, Austria, Ireland, Belgium, Japan, Netherlands, United States of America, Mix, Unknown)

In response to potential objections to the relatively high number of interviews with German interviewees (42.3%) and interviews conducted in German (46%), Boyacigiller et al. (1996: 189) point out “logistical obstacles” such as cultural fluency that must be addressed and overcome by the researcher. By using German as a language to talk to German interviewees, the response rate was increased and the ease of respondents to speak openly was encouraged – Nahapiet and Ghoshal (1998: 253) point out that a common language “facilitates” the ability to gain access to people and their information and, therefore, the use of the author’s native mother tongue provided an advantage in the data collection process and enhanced the quality of the data as opposed to interviewing respondents in a foreign language.

Furthermore, as already indicated above, the number reflects the realities of the industry and the policy-making situation: 45% of total value added in the industry is generated in Germany (John and Schwarzer 2006) while the head of the automotive unit in the European Commission pointed out that 60% of the European automotive industry is located in Germany (IV Com12).

Within the sides of the societal triangle, the respondents came from the following countries:

Table 6.10: Nationality of Respondents according to side of societal triangle

<table>
<thead>
<tr>
<th>Market side (Total 36)</th>
<th>UK</th>
<th>D</th>
<th>F</th>
<th>It</th>
<th>Sw.</th>
<th>Fl.</th>
<th>AU</th>
<th>IR</th>
<th>Belg.</th>
<th>Jap.</th>
<th>NL</th>
<th>US</th>
<th>Mix</th>
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<tbody>
<tr>
<td>Total</td>
<td>4</td>
<td>14</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Pct.</td>
<td>11.1</td>
<td>38.9</td>
<td>11.1</td>
<td>5.6</td>
<td>5.6</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>11.1</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>State side (Total 26)</th>
<th>UK</th>
<th>D</th>
<th>F</th>
<th>It</th>
<th>Sw.</th>
<th>Fl.</th>
<th>AU</th>
<th>IR</th>
<th>Belg.</th>
<th>Jap.</th>
<th>NL</th>
<th>US</th>
<th>Mix</th>
<th>?</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>4</td>
<td>11</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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</tr>
<tr>
<td>Pct.</td>
<td>15.4</td>
<td>42.3</td>
<td>11.5</td>
<td>3.8</td>
<td>3.8</td>
<td>3.8</td>
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<td>3.8</td>
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<td></td>
<td>3.8</td>
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<thead>
<tr>
<th>Civil Society side (Total 8)</th>
<th>UK</th>
<th>D</th>
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<th>AU</th>
<th>IR</th>
<th>Belg.</th>
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<th>US</th>
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<tbody>
<tr>
<td>Total</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Pct.</td>
<td>12.5</td>
<td>60.0</td>
<td>12.5</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>12.5</td>
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Interviews lasted between 15 minutes (telephone interviews) and 2 hours with the majority ranging between 30 and 60 minutes, on average 47 minutes. Interviews were mainly conducted in English (38 interviews); interviews with German or

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143 Mix denotes the interviews with two interviewees of differing nationality: Czech-French, Canadian-Canadian, French-Belgian, Dutch-Belgian.
German-speaking interviewees (33 interviews) were conducted in German with subsequent translation into English.

6.5 Tools for Analysis

A key purpose of analysis is to understand and to gain insights from collected data (Ghauri and Grønhaug 2005). Analysis is “a process of examining something in order to find out what it is and how it works” (Corbin and Strauss 2008: 46). Within analytical activities, the following can be distinguished: categorisation, abstraction, comparison, dimensionalisation, integration, iteration, and refutation (Ghauri and Grønhaug 2005).

Qualitative analysis is a process of studying and interpreting data in order to obtain meaning, acquire understanding and develop empirical knowledge (Corbin and Strauss 2008). There are many ways of analysing qualitative data\textsuperscript{144}. Common to all approaches is a central concern with “transforming and interpreting qualitative data” in a scholarly and rigorous way in order to “capture the complexities of the social worlds we seek to understand” (Coffey and Atkinson 1996: 3). Huberman and Miles (2002: 394) also point out that sets of data are like the phenomena they mirror: they are complex, ambiguous, and sometimes even contradictory. Common lines of analysis for qualitative data are for example grounded theory, analytic induction and content analysis (Bryman and Bell 2003).

Miles and Huberman (1994) define data analysis as three linked sub-processes: data reduction\textsuperscript{145}, data display, and conclusion drawing and verification. A variety of different tactics can be used. A systematic approach is taken to the process of qualitative data analysis, but not in an over-prescriptive way (Coffey and Atkinson 1996): one either arrives deductively or inductively at categories and there are multitudes of possibilities\textsuperscript{146}. A process leading to categories and concepts is coding which forms part of the analysis of qualitative data. According to Miles and Huberman (1994: 56), “coding is analysis”. Coding involves extracting concepts from “raw data” and interacting with the data (Corbin and Strauss 2008: 159). Coding and categorising aids the interpretation of data and supports searching for common or

\textsuperscript{144} The data mostly consists of qualitative interview data. Consequently only tools for the analysis of qualitative data will be considered here.

\textsuperscript{145} Data reduction is a form of preliminary analysis, according to Miles (1979), in which data is refined, iterated, revised.

\textsuperscript{146} Corbin and Strauss (2008) stress flexibility and openness when dealing with ambiguity in data.
conflicting themes; looking for commonalities and differences is one way to draw conclusions (Ghauri 2004). The aim is not description but understanding and making sense of the data (Stake 1995, Long and Godfrey 2004).

Comparative analysis is the term Verschuren (2001) uses to analyse case study material. Comparison is a powerful conceptual mechanism as Stake (2000a) underlines, where incident is compared against incident for similarities and differences (Corbin and Strauss 2008). Miles and Huberman (1994) differentiate between within-case and cross-case analysis. Within-case analysis typically involves detailed write-ups for each site or case; these can often be “simply pure descriptions”, but can be very helpful in the generation of insight (Eisenhardt 1989: 540). Cross-case analysis can is carried out across multiple cases, looking for commonalities and differences (Ghauri and Grønhaug 2005), as pursued here.

Ghauri and Grønhaug (2005) recommend the keeping of records of analysis. This may be either in hand-written or computerised form. Yin (1994) similarly advocates the creation of a case study database as a way of organising and documenting the amount of data collected (see also Patton 1987, and Lee and Fielding 2004). For this thesis a case study database was created in computerised form (word and NVivo), containing all 71 interview transcripts, in addition to printouts and hand-written notes of the interviews.

For analysing interview data, Gillham (2000a) recommends being aware of what respondents avoid telling the interviewer: what they do not tell could be more important than what they say. Ghauri and Grønhaug (2005: 213) recommend letting a priori assumptions or hunches guide and direct the research rather than dictate it:

> even though some a priori theory may exist, it is assumed that a priori insights should not allow for complete structuring and explanation of the research problem.

Gillham (2000a) advises to be aware of ‘prejudices’ in research147, for instance what does the researcher expect to find?, what are his or her preferences?, what does he or she want to find?, and he recommends writing out expectations before the analysis, to acknowledge them and to be critical with his- or herself148. During this

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147 Yin (1994: 56) talks about the researcher’s being “unbiased by preconceived notions”. Corbin and Strauss (2008) doubt the possibility of “objectivity” in data collection and analysis and advocate the acknowledgment of biases and experiences. Denzin (1970: 300) also asserts that two investigators will reach different conclusions, due to the “human-personalistic element in the scientific process”.

148 See also James and Vinnicombe (2003) on acknowledging the individual in the researcher.
research, this author was aware of her environmental preferences as well as her
enjoyment of driving.

Data analysis was carried out mainly by hand, although initially with NVivo, a
programme allowing researchers to code and retrieve text (Lindeque 2007, Bryman
and Bell 2003). It does not interpret data, but takes over mechanical activities linked
with the coding process (Bryman and Bell 2003).

Recorded interviews were transcribed by the author and by two external supports.
The external transcriptions were thoroughly examined by the author to check for
technical language and specific terminology possibly unknown to the external
transcribers149. Interviews conducted in German were subsequently translated into
English (see Corbin and Strauss 2008 for translation considerations). Interviews
based on hand-written notes were written up on a word processor to be brought into
a suitable format to be printed out for manual analysis.

As many interviewees are non-native speakers of English, some quotes as presented
in the findings are grammatically wrong. However, in order to preserve their original
nature, all quotes from the interviews have been left un-edited in terms of language
and grammar. Companies are referred to by their region of origin and a number (e.g.
EU1, US1, and JP2). Company representatives are identified by their company code
and a letter (e.g. EU1-A, US2-B) in order to protect their anonymity. Other
interviewees are referred to by societal triangle and organisational type (e.g. Rel1,
Com10, MEP4, NGO1-A). The abbreviations are detailed in the List of Abbreviations
on p. VIII for the reader, while a separate, confidential, interview key has been made
available for examiners’ use. In the cases of more than one respondent per
organisations, these are differentiated by letter, e.g. US2-A and US2-B or NGO1-A
and NGO1-B.

Questions for the interviews (semi-structured in nature) were posed in an open
manner (e.g. “What are the main motivational factors for your firm or association/for
firms in the automotive industry to engage in government relations?”), which resulted
in open answers. For some questions prompts were given (see Table 6.2 above). It
was expected that open questions would produce more ideas for this exploratory
research than would questions in a quantitative survey, which would be defined
beforehand and thus limit answers by this ex ante restriction. More possibilities to

149 Johnson and Harris (2003) recommend the delegation of the task of transcription. See also
Roulston et al. 2003 for transcription issues.
explore the depths and breadth of CPAs in their complexity are thus provided by open and semi-structured questions.

The respective interview sections concerning the questions were coded on paper (initially in NVivo), with codes developed during data analysis (Harrison 2003) as *in vivo*\(^{150}\) codes or closely fitting ones, thus resulting in data-driven codes (Gibbs 2002) or open coding (Corbin and Strauss 2008). Sets of codes resulted for each area and research question examined. In order to arrive at a smaller number of analytic units (Miles and Huberman 1994), clusters were formed and defined by the author to subsume the codes into higher-level sub-categories or concepts and themes (Corbin and Strauss 2008), allowing the identification of key themes in the responses (see Crotty 2006b). Quotes are used to provide evidence and to make sense of the analysis (Corbin and Strauss 2008), according to themes and concepts arising out of the data. An iterative process of presenting the data and writing about them and going back to the data was followed which helped clarify thoughts and logic (see Corbin and Strauss 2008). The two following chapters (7 and 8) address each of the six research questions in turn, addressing similarities and differences (e.g. Crotty 2006b) across and within the cases and regulatory areas, with the exception of RQ6 which will be discussed in both chapters, based on cross- and within-case analysis.

6.6 **Reflections on Validity and Reliability**

There are different criteria to assess the quality of research, of which the most important ones are reliability and validity. *Reliability* is the concern whether the results of a study can be repeated or replicated (Bryman and Bell 2003), using the same instruments (Orum et al. 1991). It is particularly an issue for quantitative research but for qualitative research – as in this study – reliability is also an important criterion. Its goal is the minimisation of errors and biases in a study (Yin 1994). One way of ensuring this is the development of a case study database where all data is organised and documented (Yin 1994). This procedure was followed. The triangulation of methods and sources of data collection increase reliability. Triangulation, as discussed above, was a vital component of the data collection for this thesis. Furthermore, letting informants review the written report can also enhance reliability, also called respondent validation (Bryman and Bell 2003). This was considered at some stage during the research but time constraints and feasibility

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\(^{150}\) *In vivo* coding is a term from grounded theory (Glaser and Strauss 1967) and refers to the use of words taken directly from interviewees or respondents to name the codes used (Gibbs 2002).
concerns associated with further contact and responses from interviewees precluded the use of this technique. In addition, the recordings contained the complete information from the interviews.

Validity is the most important criterion of research and frequently mentioned (Corbin and Strauss 2008). Its main concern is the integrity of conclusions generated from a study (Bryman and Bell 2003), that is the generalisability of findings (Gibbert 2006a). As Ghauri and Grønhaug (2005: 218) put it aptly

Validity claims are responses to the question: How can I trust you?

There are various types of validity and the terminology is not always the same. Whereas quantitative research addresses validity beforehand, qualitative often does it afterwards (Ghauri and Grønhaug 2005). Maxwell (2002: 41) describes the nature of validity in qualitative research as following:

Validity, in a broad sense, pertains to this relationship between an account and something outside of that account, whether this something is construed as objective reality, the constructions of actors, or a variety of other possible interpretations.

Janesick (1998: 50) points out that in the quantitative field, validity has a set of “technical microdefinitions”, whereas in qualitative research, validity deals with description and explanation and “whether or not a given explanation fits a given description”; in other words, “is the explanation credible?”. Orum et al. (1991) point out that with regard to validity a case study approach offers advantages in terms of the variety of data sources that can be used to cross-check and thus validate findings – a procedure followed in this study.

There are different approaches to validity in qualitative research. Ghauri and Grønhaug (2005) for example apply the following types of validity for qualitative data: descriptive, interpretative, theoretical and generalisable validity. One approach is to stick closely to the validity criteria of quantitative data (Bryman and Bell 2003). Another approach is to use different terms and ways to assess qualitative research.

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151 See e.g. Bryman and Bell 2003 and Yin 1994 for types of validity.
152 Maxwell (2002) adds evaluative validity to this list.
Lincoln and Guba (2002) for example, propose two sets of criteria, trust-worthiness and authenticity.\footnote{Trustworthiness consists of four criteria, which have approximate equivalents in quantitative research (Bryman and Bell 2003, see also Seale 1999): credibility paralleling internal validity, transferability paralleling external validity, dependability paralleling reliability (see above), and confirmability paralleling objectivity.}

**External validity** refers to the degree to which findings are generalisable across settings. Generalisability is the main component of external validity (Bryman and Bell 2003). It refers to the “extent to which one can extend the account of a particular situation or population to other persons, times, or settings than those directly studied” (Maxwell 2002: 52). Generalisation is not an irrelevant issue for case study researchers. It is important for two reasons: firstly, it is one means to argue for general relevance of the findings; secondly, much case study research includes generalisation within the investigated case(s) (Gomm et al. 2000). For this research, three areas were selected within the area of environmental regulations for the automotive industry so as not to rely on a single area and thus to increase external validity and hence generalisability. Furthermore, the whole population of politically active automotive MNEs in Brussels were studied in 11 cases.

**Construct Validity** mainly applies to quantitative research and is also called measurement validity (Bryman and Bell 2003). It refers to correctly establishing operational measures for the investigated concept (Yin 1994), that is, does it measure what it claims to measure? To increase construct validity (Yin 1994) and to avoid one-sided or biased evidence, multiple sources of data are used. With triangulation – as pursued in this thesis – potential problems of construct validity can be addressed:

> The main advantage of triangulation, however, is that it can produce a more complete, holistic and contextual portrait of the object under study. In the case study method this is particularly important as you need to check and validate the information you receive from various sources. (Ghauri and Gronhaug 2005: 222)

**Internal validity** involves causal relationships where it is demonstrated that certain conditions lead to other conditions unlike spurious relationships (Yin 1994). Within case study research internal validity also relates to the issue of making inferences (Yin 1994). The goal is a “coherent and illuminating description” (Schofield 2002:

\footnote{Gibbert (2006a) raises the point that generalisability should not be an unconditional methodological requirement in RBV research and might have to be de-emphasised in favour of internal and construct validity.}
An alternative expression for internal validity is credibility, that is, how believable the findings are (Bryman and Bell 2003: 35). Respondent validation and triangulation are both techniques that can ensure credibility and thus internal validity (Bryman and Bell 2003). Corbin and Strauss (2008) also stress credibility as an important criterion of qualitative research, indicating that findings need to be trustworthy and believable. Credibility for the current study has been established as a result of carrying out 71 interviews whilst also triangulating the choice of interviewees from different sides of the societal triangle.

6.7 Conclusion

This chapter discussed the choice of methodology, research design and analysis as well as aspects of validity and reliability. The reliance of this thesis on the case study design and qualitative instruments is due to methodological, theoretical, ethical as well as practical considerations. The chapter furthermore detailed the data collection of documents and 71 interviews with stakeholders of the 11 cases of automotive MNEs engaging in CPAs.
7 Analysis of the Similarities in CPAs across Environmental Regulations and Individual MNEs

7.1 Introduction

This chapter presents the analysis of the general findings from the interviews in relation to the research questions – across the three areas of environmental regulations and across individual MNEs (cross-case analysis). The following research questions are addressed:

- RQ1: Why do firms engage in CPAs?
- RQ2: How do companies organise and approach CPAs?
- RQ3: What is the relationship between individual firm activities and industry association activities in interest representation? and
- RQ6: What kind of (political) resources and competences do firms use in their CPAs?

The subsequent chapter looks at the three areas of environmental regulations – Euro norms, CO2 emissions and ELVs – specifically as well as the individual MNEs, and their different countries of origin (within-case analysis) (RQs 4 and 5).

A note regarding the use of language in the interview quotes is necessary at this point: as many interviewees are non-native speakers of English, some quotes are grammatically wrong. However, in order to preserve the original nature and authenticity of the spoken word, all quotes from the interviews have been left un-edited (verbatim quotes) in terms of language and grammar. As triangulation is applied throughout (see previous chapter), the results are presented accordingly and interviewees are identified by the societal triangle and type of organisation, the codes of which can be looked up in the List of Abbreviations.

As a reminder for the reader, CPAs are defined as “any deliberate firm action intended to influence governmental policy or process” (Getz 1997: 32f), including any

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155 A detailed interview codes has been made available for examiners’ confidential use only.
activities that keep relations with governments on an ongoing basis as a pre-condition for influence as well as including the distinctive aspect of communication.

7.2 RQ1: Why do Firms Engage in CPAs?

As discussed in the previous chapter, the interviews started with the first research question of why firms or industries engage in relations with governments or – in this context – with the European institutions (IVQ1). The purpose of this question was to investigate what the motivational factors behind CPAs are, whether CPAs are endogenous or exogenous factors in corporate strategy. According to Boddewyn (1988: 357), non-market factors such as governmental institutions are taken as exogenous “givens” instead of being endogenised, and thus previous work may suffer from a “black box” economic bias. It was expected that the reasons why firms engage in CPAs would raise questions about the exogenous nature of governmental policies as external givens.

The question was posed in an open manner (IVQ1: “What are the main motivational factors for your firm/association/for firms in the automotive industry to engage in government relations?”), which resulted in open answers and a more in-depth exploration than a question with pre-defined answers. It also allowed respondents to provide multiple replies. The results are presented according to the categories of the societal triangle (market, state, civil society) and by organisational type (companies, association, Commission, EP, NGOs), thereby triangulating responses.

During the coding, key themes were drawn out and identified from the initial codes, and thus a smaller number of analytic units (than the individual codes) emerged (Miles and Huberman 1994). The following five key themes emerged in the data analysis process, each consisting of several individual sub-themes or codes, which will be discussed below:

- **Information and communication**, which concern the need to be informed by policy-makers (passive aspect) and to inform policy-makers (active aspect), characterised by flows of information between policy-makers and firms, which includes relational aspects and therefore social capital.

- **Business interest**, which states the impact of legislation on firms and the desire to influence legislation according to business interests as motivation to get involved in CPAs.
- **Predictability and fairness** which stress the importance of ensuring feasibility and predictability for planning purposes as well as a level playing field for companies.

- **Avoiding, weakening or postponing legislation** and “preventing the worst”. These are summarised as **defensive motivators**.

- **Positive motivators** include elements such as working for the best solution, better regulation and being a good corporate citizen.

**The Market side**

The market side was interviewed through automotive companies (15 interviews – IVs), automotive industry associations (7 IVs) as well as companies (5 IVs) and industry associations (9 IVs) from related industries who were included to triangulate responses.

Firstly, **automotive companies** are discussed. For these, the main motivation to engage in CPAs is to **inform policy-makers and to be informed**. While informing policy-makers is the active side of **information and communication**, being informed could be seen as the complementary passive side to it. The active side of this key theme includes codes such as the **provision of expertise, information and data** (being a source of information), the **promotion and creation of understanding** as well as the **informing of consequences** (EU1-A, EU3-A, EU3-B, EU6-A, US1-B, US2-B, JP1-A, JP2-A). The following quotes are indicative of this active side of information and communication:

> The decisive factor is always to transmit the factual information in the right form to the right person. We are trying to advise politics by good factual information. (EU3-B)

> (…) contribute expertise for legislation in the sector and beyond; information. (JP2-A)

The overlap between the passive and active side can be seen that companies want to be informed in order to inform as in the following quote (see also EU2-A):

> Firstly you need to know, which scenarios to prepare for. Then, when you know it, then you have to point out what it could mean in consequence. (EU1-A)

This quote also illustrates an overlap between information and communication and **predictability and fairness** as there is a desire to be informed for **planning purposes** (EU2-A, JP1-A, EU4-A). In the following quote, information and communication is also related to **ensuring technical feasibility** (see US2-B as well):
EU civil servants as well as particularly MEPs don’t have the know-how at all to fulfil certain regulations in their details, that means, to a certain extent they need us as well in order to pass a law in a reasonable way. So they need the technical input, our experts in order to polish legislation in the end; legislation which accordingly comprises technical opportunities, but also technically clean requirements. (US1-B)

Although the literature discusses the influences and effects that government decisions and policies may have on business enterprises and their competitive environment as justification for CPAs (e.g. Keim and Hillman 2008), the business interest is much less observed in the actual responses given by automotive companies (though still more prevalent than predictability and fairness). It is a surprising result that the main motivation seems to be to inform policy-makers while the actual impact on the companies, the business case and interest, plays a lesser role. This raises question as to whether there is an element of social desirability (as in serving policy-makers by informing them) in these replies and whether the business case is taken for granted as a reason for lobbying. The elements or codes mentioned as part of this key theme include the business impact of legislation and the avoidance of cost (US2-A, EU1-B, EU5-B), safeguarding the economic framework, widening business options (EU3-B), impact on products and design, depending on product portfolio (JP1-A, EU1-A), staying competitive (US1-A) and protecting or advancing the business or interests of the company through influencing the policy-making process (JP2-A, US1-B, EU5-B, EU4-A). The following two quotes illustrate these:

(…) political decisions definitely influence corporate operations and also investment decisions. And that’s why one tries to influence these decisions as early as possible as adjustments afterwards are much more cost-intensive than trying to prevent it from the start. So cost avoidance through influencing certain decisions. (EU1-B)

That’s very clearly the business case: If we don’t adhere to certain requirements in the area of environmental policy, then we’re out of the market, we are no longer competitive, our products won’t be bought anymore. (US1-A)

The two themes that receive least attention by car manufacturers are the complementary factors of positive and defensive motivators. Only two interviewees mention positive reasons for engaging in CPAs:

To be a good European corporate citizen: that is our working premise; it’s also in our mission statement. (JP2-A)
(...), to support all the institutions to build up a technical dossier and to find out political solutions for the best for the industry, for the society, for the competitiveness and for the environment as well. (EU6-A)

These two companies constitute a minority, which is also true for the three companies stressing defensive reasons for engaging in CPAs:

(...), to prevent the worst. (EU1-A)

I could maliciously say, we try to prevent the worst. (US2-B)

To (...), defend the interest of the company. (EU4-A)

The last quote also shows an overlap with the business case as motivation for CPAs, which, together with information and communication, is the main reason stated by automotive companies in the interviews to engage in CPAs.

Automotive associations show a similar result with the emphasis on information and communication, albeit with a pronounced tendency towards the active side of this key theme, where typical responses are:

In particular cases we bring up certain positions and supply technical information that is needed to draft the technical parts, e.g. test procedures. (AA1-B)

(...), we need to promote understanding of the automobile industry for the European economy. (AA3)

Unlike automotive companies, however, respondents from the associations stress predictability and fairness in terms of ensuring technical feasibility as much as information and communication as main motivation for automotive firms and associations to engage in CPAs:

That creates a motivation of course, to communicate their uniqueness with respect to different characteristics, and perhaps also give as a result that they might have a very different view as to what is feasible and what is not feasible to comply with it. (AA1-D)

In this respect, association respondents, more than corporate respondents, also stress harmonisation of standards (AA3) and the creation of a common playing field for manufacturers, which might be due to the nature of their activities as associations, trying to put across a unified industry view with regard to regulations:

(...), to make sure that all of the manufacturers face a common playing field across the EU. (AA1-C)

The business interest for companies to engage in CPAs feature prominently among association interviewees. This includes codes such as the dependence of CPAs on
product portfolios (AA1-A, AA1-D), influencing and remaining competitive (AA1-C), reducing costs (AA3) and protecting the products and the business (AA1-E) as motivation to engage in CPAs.

As for corporate responses, positive and defensive motivators for CPAs can hardly be observed within association responses. Only one respondent points to attaining better regulation (AA1-D) as positive reason for engaging in CPAs, while two association representatives mention defensive reasons. The first respondent stresses the need to cope with the problems the industry is faced with, whilst the second points to engineers influencing the defensive nature of CPAs:

One reason for that is (...) we are faced with the same problems. (AA3)

It is rather seen defensively than perceived as a chance. It's often like that development engineers are saying, by all means keep it away from me; keep it at arm’s length. (AA1-A)

Interestingly, respondents from related industries do not mention defensive motivators as reasons to engage in CPAs. A possible explanation for this is that related industries are less in the limelight of policy-makers and observers than the automotive industry, which is a very visible industry (Rel9). Positive motivators are observed by one interviewee each (association and company):

To act as a credible and trustful source. (Rel7)

Then, it's hot air, but actually to enable the industry to make a contribution to society so it can be seen as doing so (it's linked to image), a sincere attempt to make a positive contribution. (Rel12)

Stakeholders from related industries stress predictability and fairness and the business interest equally, although companies emphasise the former and associations the latter. The following examples are typical for responses in related industries, firstly for predictability and fairness where a level playing field and feasibility played a role for associations and companies:

(...) a good regulatory environment so that your markets can be developed and done in the proper way, that there is no discrimination. (Rel6)

(...) to make sure that the proposals become as realistic as possible. (Rel9)

(...) to have a picture of what level of playing field we expect to act at. (Rel11)
Secondly, for the business case, associations mention the *interests of companies* (Rel1), the *impact of legislation, profitability* (Rel5), the *development of business and markets* as well as *maintaining good conditions* for the industry (Rel9) as reasons to engage in CPAs. For related companies, the *protection of industry interests* (Rel12) and the *impact of legislation* (Rel14) are observed. The following two quotes represent the business case for related industries:

(...) that determines their profitability as well. (Rel5)

There is a lot of legislation, which directly or indirectly refers to the automobile industry; this alone is already motivation and justification to engage in government relations. (Rel14)

As with automotive companies and associations, the most important motivational factor to engage in CPAs, as stated by related industries, by associations and firms, is *information and communication*, both to *inform policy-makers* and to *be informed*. Unlike the automotive industry, however, respondents in related industries also include elements of *promoting and improving the image and reputation* of the industry as motivational factors (Rel6, Rel8, Rel10, Rel12). These responses might be influenced by the less visible position of related industries compared to the automotive industry:

Of course we want to do something about the image or reputation of [the material] so that we can do business in a proper way. (Rel6)

On a secondary level it's to improve the image of the industry and to maintain a dialogue with key stakeholders with government at every level. (Rel12)

The second quote reveals a relational aspect of information and communication in addition to improving the image of the industry – to be in contact and in dialogue with governmental stakeholders:

(...) our purpose is really to have those relationships (...) (Rel4)

This motivation could be interpreted as building up social capital, especially in its bridging form, which was discussed in Ch. 2 as facilitating access to power, decision-making and policy formulation (Serageldin and Grootaert 1999), which is crucial in CPAs.

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PR and image reasons are mentioned by one automotive industry respondent (EU1-B); their response might however be influenced by the fact that they left the company to pursue research in global climate policies and protection.
To summarise, the main reason for respondents from the market side – across industries and organisational types – to engage in CPAs is information and communication, to inform policy-makers and to be informed, followed by the business case and predictability and fairness, while positive and defensive motivators play a rather negligible role.

In triangulation, the responses of the market side differ markedly to the responses from the state side, i.e. the Commission and the EP, which are now discussed in turn.

The State side
Interviews from the state (EU) included respondents in the Commission (12 IVs) and the EP (13 IVs) plus one respondent who had experienced both sides as well as the Council side (Com13). As the Commission is normally the first point of contact in policy-making and therefore CPAs, Commission responses are discussed first.

Unlike the market side responses, information and communication hardly feature as a key theme in how Commission respondents view the industry’s motivation to engage in CPAs. One respondent mentions the active side of information and communication, to inform the Commission of what is at stake (Com9), the second mentions the passive side, to be informed (Com5), while the third brings in marketing reasons (Com2) which is related to the improvement of image as discussed for the market side above:

And perhaps another reason is maybe for marketing reasons, they want to appear as proactive in certain fields like safety and environment, they will be seen as involved with policy-makers to say what we should do. (Com2)

This could also be interpreted as a positive motivator, which is only mentioned once in the Commission as a reason for companies to engage in CPAs:

(...) going beyond that, there are indeed individual companies, individual persons that also have a political vision, who want to contribute their ideas, who have a European vision, but I think, we shouldn’t cherish an illusion here, the driving force is very clearly the economic interest. (Com10)

This respondent acknowledges such positive reasons whilst also clearly being very realistic about the actual reason for CPAs, the economic interest or business interest that receives the heaviest emphasis for key themes among Commission respondents. This includes various elements, among them the cost factor – to save or reduce costs (Com2, Com11, Com3), the impact of legislation (Com1, Com4,
Com10) and the influence of political decisions according to interests and for a beneficial environment for industry (Com5, Com7, Com8). Representative of these responses are the following two quotes, typical for this key theme:

The main reasons I see in the effort to create, foster, and maintain an environment that is beneficial for the industry. (Com7)

Well, I think the motor industry, probably, of all industries, are one of the most affected by regulation at European level, especially now in the context of the fight against climate change. I think that will become even more and more the case. (Com1)

The business case overlaps with defensive motivators, illustrated by the following quote:

I think the main motivation is of course to influence political decisions in a way that they either benefit the corporation or burden it with as little cost as possible. (Com8)

Whilst acknowledged by very few market side respondents, defensive motivators play a larger role within Commission respondents and are more emphasised than information and communication. Companies are seen as engaging in CPAs to avoid legislation (Com6) and to minimise the economic impact or postpone legislation (Com4), engaging in a defensive stance (Com4, Com12) – this is summed up by this respondent:

My experience is, that the automotive industry, its sole purpose in engaging in discussions with regulators was to minimise the economic impact and there is, no, I never experienced any discussions with the automobile industry where it has been anything other than a damage limitation defensive posture. (Com4)

The business case also overlaps with predictability and fairness as emphasised by the following respondent:

Cost and predictability of planning new products, they are sort of related factors, really. But ultimately what we do results in higher costs and so that is obviously an important factor for the industry. (Com11)

Predictability for planning purposes is related to regulatory certainty (Com2), while the other elements include the guarantee of a level playing field (Com12) and the harmonisation of standards (Com5) for companies to engage in CPAs in the eyes of Commission respondents.

Among respondents from the European Parliament, which is the second point of contact for companies in CPAs, predictability and fairness in the form of a level playing field (competitive equality) as a motivational factor are only observed by two
members who were both involved in the CARS 21 process\textsuperscript{157} (MEP6, MEP7) and in the EP’s Forum for the Automobile and Society (European Commission 2006b). Interestingly, one of them relates both an equal playing field and defensive motivators as being behind the motive of the business case for CPAs:

The attempt of exerting influence is certainly the main motive. And I think driven by two motives behind it. One is partly to organise competitive equality and secondly of course is also to reduce regulatory density that goes against individual interests or to prevent regulation. (MEP7)

Defensive motivators, similarly to the Commission, are more emphasised among MEPs than among market side respondents and include desires to keep costs down, to avoid legislation (MEP10), to weaken or postpone it (MEP1) or even to stop it (MEP12). Depending on the wording, the cost factor can be placed or interpreted as defensive motivators (MEP10) or as the business interest, which – unlike the other themes – is mentioned by every single EP respondent, and therefore seems to be the most important key theme among these respondents:

(...) for motor vehicle manufacturers the legislative environment is a major strategic input into the business. And legislation represents a significant cost for them in terms of product development. (MEP3)

While most EP respondents observe mixed motivational factors (i.e. more than one key theme), the business interest as sole reason is observed by five of the 13 EP respondents. Typical responses in this category are:

The motivation is to enforce individual interests in political decisions. (…) A firm can be massively affected by a proposal. (…) For the companies it’s about safeguarding favourable conditions for their corporate operations, costs accordingly. (MEP2)

(…) they want to protect the interests of their business. (MEP11)

Influence on legislation, of course. (…) I think that is the most decisive, it all comes to this in the end. (MEP4)

Beyond influence, the cost factor and the impact of regulation (see also MEP6, MEP3, MEP13), the other responses for business case include elements and codes such as profitability and creating beneficial conditions for the industry (MEP1, MEP5).

\textsuperscript{157} CARS 21 stands for “A Competitive Automotive Regulatory System for the 21st century”, a report issued by the CARS 21 High Level Group. It was launched in 2005 and mandated to make recommendations for the “short, medium and the long-term public policy and regulatory framework” for the European car industry, integrating competitive, environmental, safety, employment and affordability aspects (European Commission 2006b: 2). The group consisted of key stakeholders in the automotive field: Commission, Member States, EP, Industry, Trade Unions, NGOs and Users (ibid.).
As with the Commission, only one positive motivator is mentioned, overlapping with the business interest:

Whereas I think there are hopefully a growing number of enterprises and interest organisations who actually want to be part of the change and who also feel there is something to be gained in terms of business and new opportunities. (MEP12)

Lastly, information and communication, as one of the five key themes, seems to have a more relational aspect among EP respondents, in addition to the already mentioned elements of being informed and to inform policy-makers (MEP13, MEP8, MEP9, MEP12). The following quotes illustrate this relational aspect (emphasis added, SMW):

In order to accompany legislative procedures. (MEP8)

I think the main motivational factors are to participate in the drafting of policy/policy-making or to influence it (...). (Com13\textsuperscript{158})

I think that it is the policy makers after all who are going to change the law and make emissions tougher, or safety conditions tougher, or whatever, and it is in the interests of the manufacturers therefore to stay in touch with policy makers and to try and, well frankly, to influence them. Or at least educate them about the reality of car manufacturing. (MEP9)

Whilst acknowledging the business case as reason to engage in CPAs, the third respondent heavily stresses the relational aspect later in the interview:

In the essence of good public affairs and the essence of good lobbying is to know their client long before there is something to lobby them about. So the contacts have got to be there. You shouldn’t be making the contacts once you have a proposal for the commission, you should already have the contacts and be able to use them. (MEP9)

It can therefore be said that the building up of social capital is an important reason why firms engage in CPAs, in order to be then able to influence policy-makers based on the business case. It is the bridging form of social capital as the contacts are built up between members of different groups (Putnam 2000, Grix 2002).

To summarise, respondents from the state side (Commission and EP) see the business interest as the main reason for companies to engage in CPAs, to engage in relations with policy-makers.

\textsuperscript{158} Please note this respondent has worked for both the Commission and the Parliament.
The Civil Society side
Lastly, interviews were also triangulated with respondents from the civil society side, which is now discussed. This included seven interviews with environmental NGOs and one interview with a consumer organisation\(^ {\text{159}}\). As could almost be expected from this side of stakeholders, no positive motivators are identified and only the respondent from the consumer organisation acknowledges the desire to be informed within information and communication as a reason for companies to engage in CPAs (NGO6). Two respondents recognise the creation of a level playing field (NGO1-A) and the provision of clarity and certainty (NGO1-B) and therefore predictability and fairness as motivational factors. The business interest is more prevalent in the civil society responses where the extension of business strategy and the creation of market opportunities are mentioned (NGO1-A) in addition to influencing legislation as mentioned by other stakeholders above (NGO3, NGO5, NGO6), where a typical response is:

If you can’t prevent it, then to influence it according to your own interest, to optimise it. (NGO3)

Here the business interest overlaps with defensive motivators, which, overwhelmingly, the majority of civil society respondents (six out of eight) refer to as main reasons for automotive companies to engage in CPAs. Given that the relationship between the market side and the civil society is often portrayed as antagonistic, this should not come as a surprise. Companies are perceived to engage in CPAs with a defensive posture in principle (NGO2-B), for which the following respondent uses the strongest language:

“To keep those damned politicians off our backs”, this motivates most political action. (…) The main motivation is keeping off everything. (NGO1-A)

A more elaborate example of this key theme is provided by the following respondent:

I would say, controlling the regulatory output. With other words, to try that the state intervenes in market processes as little as possible. So that the autonomy of producers is held up as much as possible and of course that costly measures are avoided. (NGO4)

Other elements and codes of this key theme of defensive motivators have been mentioned above already, such as preventing or avoiding legislation and avoiding or minimising costs (NGO2-A, NGO3, NGO1-B), exemplified by the following quote:

\(^ {\text{159}}\)As mentioned in the previous chapter, while trade unions as a civil society stakeholder of the automotive industry were contacted, they did not reply to any contact attempts by this author.
(...) to minimise costs, to minimise the requirement for future investment, to allow from an industry perspective a free hand as to what their financial resources can be invested in, what part of the product their investments can go towards. (NGO1-B)

To summarise, respondents from the civil society side (environmental NGOs, consumer organisation) see defensive motivators as main reasons for firms to engage in CPAs.

**Summary**

How do these findings for the first research question – why do companies engage in CPAs? – according to category and organisational type relate to previous studies? Compared with the literature on CPAs of MNEs (Ch. 2), the findings relate as follows: Yoffie (1987) stresses high strategic salience of an issue as a reason for companies to become politically active. Baysinger (1984) also cites the attainment of public policy results favourable to the firm’s success as the overall objective of CPA. This clearly relates to the findings of the business interest as main reason for companies to engage in CPAs (see also Keim and Hillman 2008).

Gale and Buchholz (1987) distinguish between two goals of corporate involvement in the political process – pursuit of legitimacy and pursuit of competitive advantage. Looking at the findings, the pursuit of legitimacy only emerges in the key theme of positive motivators whereas competitive advantage is strongly linked to the business interest as a motivation for companies’ political activities, as well as to the key theme of defensive motivators. What Gale and Buchholz (1987) term competitive advantage is in line with what Baysinger (1984) terms public policy results favourable to the success of an organisation. What the findings add to the literature is the motivation to inform and communicate with policy-makers as well as to be informed – the key theme of information and communication. Furthermore, the desire for predictability and fairness are added to this typology of reasons for engaging in CPAs.

The findings support the proposition that government policies are not seen as exogenous factors by firms, but that government relations and policies are indeed an endogenous factor, and thus an important part or even extension of strategy as one respondent put it (NGO1-A) that firms can indeed influence. This corroboration of government as endogenous factor for companies is an important theoretical contribution in the RBV, which takes government policies as exogenous givens.
The following table summarises the discussion on RQ1. There are five overarching factors as key themes why MNEs engage in relations with policy-makers, each consisting of underlying factors as discussed above.

Table 7.1: Key themes in the discussion on RQ1 – why do firms engage in CPAs?

<table>
<thead>
<tr>
<th>Information &amp; Communication</th>
<th>Business Interest</th>
<th>Predictability &amp; Fairness</th>
<th>Positive motivators</th>
<th>Negative motivators</th>
</tr>
</thead>
<tbody>
<tr>
<td>To promote/ create understanding</td>
<td>To influence the process/legislation</td>
<td>Predictability</td>
<td>Be a good corporate citizen</td>
<td>Prevent the worst</td>
</tr>
<tr>
<td>To be informed</td>
<td>Product portfolio</td>
<td>Planning purposes</td>
<td>To support policy-makers</td>
<td>To cope with problems industry is faced with</td>
</tr>
<tr>
<td>To provide information/ expertise</td>
<td>Business impact of legislation</td>
<td>To adapt</td>
<td>To work for best solution</td>
<td>To prevent, avoid or stop legislation</td>
</tr>
<tr>
<td>To inform of impact/ consequences</td>
<td>To reduce/ avoid costs (cost factor)</td>
<td>To ensure (technical) feasibility</td>
<td>Better regulation</td>
<td>To minimise economic impact</td>
</tr>
<tr>
<td>Image &amp; PR reasons</td>
<td>To safeguard economic framework</td>
<td>To harmonise (global) standards</td>
<td>To make positive contribution to society</td>
<td>Defensive damage limitation</td>
</tr>
<tr>
<td>To be in contact/ dialogue/ relationship with institutions</td>
<td>To widen business options/ access to markets</td>
<td>To ensure a common/level playing field</td>
<td>European vision</td>
<td>Postpone or weaken or reduce standards/ legislation</td>
</tr>
<tr>
<td>To inform of impact/ consequences</td>
<td>To protect business</td>
<td>Regulatory certainty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To improve image of industry</td>
<td>To remain competitive</td>
<td>To provide clarity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To accompany legislation</td>
<td>To work for company interests</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To communicate uniqueness</td>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To create beneficial conditions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Keep business as usual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extension of business strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Appendix B visualises this table with the codes and subordinate elements making up the five key themes.

7.3 RQ2: How do Companies Organise and Approach CPAs?

7.3.1 Organisation of CPAs

It is an emerging science, an emerging profession. (US2-A)

The organisation of CPAs is internal to firms and therefore the discussion relies on market side responses for the first part of RQ2 (IVQ2): How do companies organise CPAs?

As public affairs is in most cases a growing function (Althaus et al. 2005, US2-A, EU3-B), its organisation varies across the cases. As such, the public affairs or CPAs role is not yet an established corporate function as for example purchasing, marketing or R&D. Both the name of the function as well as the label of the Brussels
office and the titles of the responsible executives vary widely among the 11 cases investigated as illustrated in the table below with regard to the name of the function and the Brussels office:

Table 7.2: Name of CPAs function in case companies

<table>
<thead>
<tr>
<th>Case Firm</th>
<th>Name of Function</th>
<th>Brussels office</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU1</td>
<td>Communication and Policy (for corporate interest representation) and Corporate Planning (for association work)</td>
<td>Brussels group office</td>
</tr>
<tr>
<td>EU2</td>
<td>External Affairs and Public Policy (separate from public relations/global communications)</td>
<td>Representative office for European Affairs</td>
</tr>
<tr>
<td>EU3</td>
<td>External Relations</td>
<td>Liaison Office to EU</td>
</tr>
<tr>
<td>EU4</td>
<td>Institutional Relations/European Relations</td>
<td>EU Delegation</td>
</tr>
<tr>
<td>EU5</td>
<td>European Affairs/Public Affairs</td>
<td>Representation to the European Institutions</td>
</tr>
<tr>
<td>EU6</td>
<td>Institutional Relations and Environment</td>
<td>EU6 Delegation to Europe</td>
</tr>
<tr>
<td>US1</td>
<td>Communications and Public Affairs (separate from Legal, Governmental and Environmental Affairs, distinction grown historically, used to be one area)</td>
<td>EU Affairs</td>
</tr>
<tr>
<td>US2</td>
<td>Public Policy (grown historically, connections with legal affairs, communications, engineering/type approval; growing function)</td>
<td>International Regulations Europe c/o US2 Coordination Center</td>
</tr>
<tr>
<td>JP1</td>
<td>Governmental Relations – Regulations</td>
<td>Aalst Office</td>
</tr>
<tr>
<td>JP2</td>
<td>Government Affairs – part of External Affairs (Corporate Affairs also part of it)</td>
<td>JP2 Motor Europe – Head Office</td>
</tr>
<tr>
<td>JP3</td>
<td>Legal &amp; External Affairs</td>
<td>/</td>
</tr>
</tbody>
</table>

Sources: Interviews, and company websites

Depending on the case company, the function has internal hierarchical connections to corporate communications, corporate planning, legal affairs, environmental affairs, external or regulatory affairs. Consequently, there are also differences as to how activities are coordinated within the company – several interviewees point out the difficulties in highlighting the importance of their role within their companies: it is a struggle for representatives in Brussels to communicate the significance of their work in-house to their companies as there is often little understanding of the political environment and its importance within companies. This is exemplified by the following two quotes:

[H]ow do I communicate to my company what we have done here in terms of lobbying. That's also not measurable, because the fewest people at [US2-sub1] in A [Germany] or at [US2] in B [Switzerland] know what we're doing here. That's very difficult to communicate. (US2-B)

As the literature has clearly defined CPAs (see Ch. 1 and 2), respondents were not asked what CPAs are. However, this table and the varied names for the function could throw up questions whether companies demonstrate different understandings of CPAs.

Michalowitz (2004) highlights that lobbyists provide both internal and external lobbying, which means that they represent their firm in Brussels and represent Brussels in their firm.
(...) the internal activities of lobbyists are decisive, 60% of your time you have to use for internal activities of coordination for the rather factual technical information you have from in-house and to make positions politically usable; that is indeed a task. (EU3-B)

This is also confirmed by association respondents, where especially the second respondent bemoans the lack of responsibility given to corporate representatives in Brussels by their companies:

The decisions are made in headquarters and these are not always realistic positions. There is the pressure of headquarters on offices in Brussels, you can notice it here, they are complaining here. (AA1-E)

I wish that it would play a larger role in their strategy, (...) I (...) think it would be good if the people in Brussels, the lobbyists, would sit on the board as well, so that they are high up in the hierarchy. Then they wouldn’t be so careful in negotiations, but more decisive, not so risk-averse, you can compare it with a divisional director/manager who can’t necessarily take decisions, has no responsibility, they then can’t simply co-decide. It would make things easier. (AA1-A)

Interestingly, a state side and a civil society respondent also acknowledge this tension between Brussels representative offices and headquarters:

I think for corporate headquarters it is very upsetting that there is a parliament and a legislator, who don’t know anything about how an automotive market works. I think this is also not very easy for the representatives here in Brussels to communicate to headquarters, how, hm, it’s not a governmental machinery, but how the whole thing works here, the European institutions. (MEP6)

The people who work here show that top management has little interest for it. (NGO1-A)

Thus, questions need to be raised about the integration and organisation of market and non-market strategies within companies. This has been suggested by Baron (1995) and Boddewyn (2003) as worthwhile research and could provide an interesting and important avenue for potential future research to investigate to what extent the role of CPAs is acknowledged within the firm beyond the handful of people active on the ground in Brussels and in how far it is integrated and organised into the overall strategy and structure of firms. This field is certainly an area where public information is not easily available (e.g. on corporate websites), and therefore encourages further research. This could possibly be due to the fact that ‘lobbying’ has rather negative connotations in some European languages (see Ch. 2) and therefore companies are reluctant to put out information, and that it is rather new and growing function (see above). One respondent actually encouraged research on how CPAs are organised (EU3-B).
For the American companies (US1, US2 and, until 2007, partly EU2), the European subsidiaries are organised and work independently from headquarters in their public affairs work. Although both US1 and US2 respondents point out their use of the American Chamber of Commerce (AmCham, US2-A, US1-B) and dialogue with their US headquarters (US1-B, US1-A), they see themselves (US2-B, US1-B) and are seen by other respondents as distinctly European and independent subsidiaries of their American parents (MEP3, NGO1-B).

Among the Japanese companies, there is an interesting feature with JP1 operating under strong central coordination with the office in Aalst, Belgium, directly reporting to the head office in Japan (JP1-A), whereas the government affairs function of JP2 does not seem to have this link with headquarters in Japan (JP2-A). JP2 Motor Europe (JP2-ME) is very much an independent European subsidiary and, as the headquarters of JP2-ME is in Brussels, it is the only automotive government relations function in Brussels directly operated from a regional headquarters and therefore rather unique (JP2-A). The third big Japanese company, JP3, is partly owned (44%) by EU5\textsuperscript{162}, but this is not evident in the organisation of its public affairs function which was virtually non-existent at the time of the data collection (JP1-A, MEP5).

Among the European companies, the picture varies as well. EU4, EU5 and EU6, the three non-German (i.e. Latin) European companies, display strong central coordination in their institutional relations. EU6’s work is centrally coordinated from the head office whereas for EU5, staff of the Brussels office commute frequently to Paris, often several times during a week (EU6-A, EU5-A, EU5-B), and EU4 has so-called “pilots” for the most important issues in its headquarters (EU4-A). Similarly, EU1’s activities in Brussels are also heavily influenced by headquarters where the head of the office is for coordination meetings every Monday (EU1-A). EU2’s coordination with headquarters (Germany and US) seems to be rather on an \textit{ad hoc} basis (EU2-A). Similarly, EU3 coordinates its CPAs with headquarters and other offices depending on the issue (EU3-B).

Another aspect of the organisation of CPAs is that all corporate representative offices in Brussels work together with their respective association (ACEA for the European companies and American subsidiaries, JAMA for the Japanese firms). The CPAs of the individual firms are coordinated via the association (AA1-A, EU1-A) unless the companies have different positions concerning technologies (EU1-B) and therefore

\textsuperscript{162} At the same time, JP3 holds 15\% of EU5’s shares (source: JP3’s corporate website).
the relationship between those two types of activities (RQ3 on individual and industry CPAs) will be investigated in section 7.4.

7.3.2 Approach to CPAs

The second part of RQ2 regarding the approach of companies and the industry in CPAs formed part of the revised interview schedule after the first stage of interviews (IVQ3). Within the automotive industry, 11 of the 14 respondents from companies responded to the question, hence the discussion is industry-level based rather than company-based, as in the next chapter on the case companies.

Initially, this was an open question (IVQ3: “What is your company’s/the industry’s approach to business-government relations? How would you describe the approach?”). Prompts that were then given to interviewees from all societal triangle sides included the terms interactive-cooperative, confrontational-defensive, reactive and proactive (based on e.g. Luo 2001, Mahon 1989, Blumentritt and Nigh 2002, Hillman et al. 2004, Hillman and Hitt 1999, see also Ch. 2).

The Market side
Respondents from the automotive companies point out that the approach to CPAs depends on the area or topic:

- It’s not a general policy, it depends on the issue, sometimes we can be very proactive, sometimes on other topics, we have to be reactive. (EU5-B)
- It depends on the topic but in general we are kind of in between. (JP1-A)
- That’s an interesting question and I think you need to differentiate. (…) But I really think that depends a bit on the areas. (EU1-B)

This therefore leads to a range of approaches (EU3-B), confrontational or cooperative, proactive or reactive, according to the legislative issue being discussed. Several respondents emphasise that their goal was an interactive, cooperative approach (US2-B, EU3-B), avoiding a negative approach or attitude of blockade (JP1-A, US1-B), in the realisation that such an approach would not be helpful (US2-B):

- My goal is definitely the first, interactive. With confrontation you can’t succeed in Brussels. (EU2-A)

At the same time, it is acknowledged that
There is a difference between the theory and the practice. (EU4-A)

There are, therefore, instances where the industry and individual firms approach CPAs in a confrontational or reactive way (EU1-B, EU5-B). Two respondents point to the issue of timing determining the approach; one refers to the dynamics of the policy process (EU1-B) while the other points to a change over time in CPAs with a history of an attitude of blockade for the automotive industry regarding legislation (US1-B).

This historic change from a reactive to a more proactive and positive approach is confirmed by a respondent in the automotive associations who also points to efforts to “balance non-cooperative aspects with cooperation” within the industry’s CPAs (AA1-C). Another interviewee observes an active, involved and quite cooperative stance of the industry (AA1-D). Similarly to corporate respondents, the aim is seen in being cooperative (AA2, AA3), whilst it is also observed that there are exceptions to cooperation (AA2) which means that the approach is not always proactive or cooperative (AA1-E, AA1-C):

So all of those sorts of activities go all together in promoting the industry and giving a forum or a platform for the industry to express its views, to lobby, but also to have a more friendly intercourse with people as well. So it is not always a stand-off position, at least, you know, our Secretary General may have to take very hard positions against Verheugen in meetings (...). We understand that it is not all confrontational, that it is commercial; it is a commercial business so there has to be some element of confrontation. (AA1-C)

This is the case where firms are defensive (AA1-E) – one respondent even calls the majority of firms defensive (AA1-A).

Whilst automotive respondents – whether from firms or associations – acknowledge instances of negative behaviour, in general they veer towards more positive descriptions of the approach taken. From the triangulating perspective of respondents in related industries the automotive industry’s approach to CPAs is perceived rather differently across the board of associations and companies. Only three respondents observe that the automotive industry is proactive in organising stakeholder events (Rel7), more proactive than other industries (Rel8) and stronger than the suppliers (Rel14). Whilst this last element is value-neutral, other respondents are less reserved when comparing the approach of the automotive industry with their own industries, calling the automotive industry dictatorial with their suppliers in its CPAs (Rel11), demanding (Rel2) and dominating stakeholder events (Rel9). Furthermore, the automotive industry is perceived to be not very cooperative
(Rel4), negative and aggressive (Rel5, Rel13), reactive (Rel6, Rel7, Rel12) and “much more violent, stronger, passionate” (Rel10).

Only two respondents in the related industries acknowledge that a cooperative approach is more effective in general (Rel5) or that lobbying is not possible if only a defensive approach is taken (Rel14). The latter also states that it depends on the topic (Rel14), in line with automotive respondents (see above).

The discrepancy between responses from the automotive industry and related industries raises the question whether the former give socially desirable answers, trying to put the industry in a more positive light – a point which is also raised with regard to RQ1 (see above). The key themes on the market side for the approach to CPAs are, on one hand, the dependence on topics and times and an aim to be cooperative whilst acknowledging confrontational examples in the automotive industry and, on the other hand, a more negative approach in addition to cooperative instances as seen by respondents in related industries.

The rather negative view on the automotive industry’s approach by related industries is possibly mirrored in the reputation the industry has in Brussels in general:

(... in general their reputation in Brussels is not so very good. (Rel6)

(... the image of the automotive industry is in large circles here in Brussels a negative one. (US1-B)

There is a general perception to regulate cars even if with a more rational or scientific approach it would be to achieve it with other sectors. This is an inherent disadvantage for the car industry. Everybody sees traffic jams, thinks ‘bloody cars’, we need to regulate them. (US2-A)

In some circles there is a negative conception of the automobile sector in general. (AA1-E)

This is also confirmed by members of related industry associations with regard to how the state side views the industry:

The DG Environment is against the industry, especially the automotive industry. (Rel3)

(... they get quite a bit of a strong headwind from some MEPs or from some Commission people. So I don’t think they have an easy stand. (Rel8)

With this in mind, the state side’s perspectives on the industry’s approach to CPAs are now discussed.
The State side

As DG Environment is pointed out as being against the automotive industry, it is discussed first, among the Commission respondents. Whilst the industry might perceive the Commission to be against it, the industry itself is also viewed as confrontational by state side respondents in the Commission, particularly DG Environment, where typical responses by policy officers, who have been dealing directly with the industry and its companies, are:

When my colleagues and I were preparing the end-of-life vehicles directive, the attitude of the European association was defensive-confrontational and reactive, very clearly. (Com7)

What we received from the association was first of all a universal rejection without substance, that is damaging the association, if it is only saying no, then this position is not meant seriously, is not taken seriously. With the dossier of climate change the political pressure is so strong, so great, that they will do it without this stakeholder. Stakeholders are always best off when they have a substantial idea, because something is going to happen anyway. In the association the members have contrary interests and then the association can’t produce a substantial position. (Com3)

The last quote already points to the task of the industry to present a unified view – a difficult task for an industry association when individual member companies have conflicting interests. This will be investigated in the next section on the relationship between industry and individual CPAs (RQ3). In general, respondents from DG Environment who have experienced automotive CPAs in the past and the present view the approach as aggressive (Com3), defensive (Com3, Com4, Com7), negative (Com4, Com6), reactive (Com4, Com8), confrontational (Com4, Com7), and even violent (Com6). One respondent from DG environment offers a more balanced view in stating:

It depends very much from company to company and issue to issue.

(Com5)

He also points out, however, that the sector as a whole is more reactive than proactive. This respondent has, unlike the previous ones, been less directly involved, which could explain his more balanced views. Similarly, one respondent from DG Enterprise observes that the industry was defensive at times, not proactive and rejecting at points while also stating that it is cooperative at times (Com12). The other respondents from DG Enterprise perceive the industry’s approach to CPAs as cooperative (Com9) and one of confidence- and consensus-building since confrontation closes doors and stops the information flow (Com10), or point out that it is not generalisable as observed by the following interviewee:
I don’t think you can generalise because I think in certain cases it is cooperative and in others it’s not so interactive. It depends on the issue; it depends how you approach the subject in terms of what you are doing and what sort of consultation processes you set in place. I suppose it also depends on the nature of the specific interest of different OEMs on certain issues as to the reactions you get. (Com11)

It is, however, also acknowledged that the approach could be confrontational or not cooperative at times (Com10, Com11). An interesting observation is offered by the only respondent from DG Employment on the approach of the automotive industry and industry in general:

Well I mean the rule of the game here in Brussels is rather straightforward, you remain dormant, you monitor issues, without making too much activities, you just organise events to make yourself known, to establish contact with people, I would say in peaceful time, in peace time when there is no legislation on the horizon. Then when there is legislation on the horizon and you move into war time it means that all the nice contacts you have established with people, all the links that you have created, all the information you have provided, all this can become useful in the context of legislation that comes and may not be the type of legislation that you would agree with, and you would try to alter or change you know, how can I say that attenuate. So in certain ways this is the way lobbyists operate in Brussels and the automotive industry here is no different. (Com1)

He also points out that the perception of the automotive industry depends on the DG, which seems to confirm the observations above, that the DGs differ in how they view the industry. The respondent that has worked for all three state sides (Commission, Council, and Parliament) observes that it depends on the respective situation but that in general he has found the industry to be cooperative and proactive in its approach to CPAs (Com13). In the **European Parliament**, one respondent observes the dependence of the approach on persons and structures (MEP7), while two others observe good and bad examples (MEP6) and a mix of approaches (MEP12). Whilst the latter is a member of the Green group within the EP, the other Green MEP points to an experienced approach by the industry (MEP11). This is echoed by the liberal MEP who observes a professional approach (MEP13). Respondents from the social democrats (Labour) tend to remark a rather confrontational (MEP8), defensive (MEP9) or even clumsy (MEP8) approach as exemplified in the following two quotes:

I think sadly they were reactive rather than proactive. (MEP9)

Well, not charming and elegant, but rather like woodcarving or woodcutting. (...) Well, certainly from the approach it was rather confrontational. That is very clear (...) (MEP7)
At the same time, these two respondents point out a change over time in the approach used by the industry from confrontation to more cooperative and proactive (MEP7) and to less reactive (MEP9):

Yes, definitely, I think you can clearly see it, which is certainly also due to the experience they got, that proceeding purely in confrontational manner is not very promising. And in this respect a proactive approach is more beneficial, and a change has taken place. (MEP7)

This change over time is also confirmed by two of the conservative respondents who have both observed a learning process within the industry from reactive and negative in the past to more constructive now (MEP3) and from defensive at first to more cooperative later (MEP4). The other conservative respondent reflects the last quote in observing that, in general, confrontation is not successful, but still has found that the industry tends to be reactive and defensive (MEP5).

The key themes on the state side regarding the industry’s approach to CPAs are the dependence on the topic, instances of both cooperative and defensive behaviour, a change over time but also generally a reactive approach.

Whilst the latter key theme could have been expected from civil society respondents based on the findings on RQ1 (motivational factors), this is not the case.

**The Civil Society side**

Like respondents from the market and state side, three of the six civil society respondents who remark on the industry’s approach to CPAs stress that it depends on the time, the topic or the situation (NGO1-B, NGO4, NGO5). A typical response here is:

It’s not either-or; it’s a hybrid, depending on phase and topic. (NGO4)

This respondent mentions both proactive and defensive examples of the industry’s approach, but concedes that in general the industry is in a defensive corner as it has not succeeded “in controlling the political process according to its terms” (NGO4). Similarly, the respondent pointing out the dependence on time also observes that the approach taken by the association is negative (NGO1-B), therefore offering a more balanced view than the two respondents who see the approach as only defensive (NGO1-A, NGO3) and negative:

(…) it acted certainly very aggressively back then. (…) so cooperative, no, you can’t really say that. (NGO3)
A different observation is made by the respondent from a consumer organisation who states that the industry’s approach is interactive-cooperative (NGO6). The key themes for civil society responses are again the dependence on the topic or time and a defensive approach.

**Summary**

Summarising this second part of RQ2, the approach to CPAs taken by the automotive sector and its individual companies, as viewed by respondents from industry, state and civil society, cannot be simply categorised as cooperative or confrontational, proactive or reactive, as there are different perceptions between respondents and as the approach depends on various factors such as:

- The topic and issue being debated,
- The individual firms and the association,
- The timing and stage of legislation (policy process),
- The timeframe (development of automotive CPAs over time).

It is therefore not possible to classify CPAs as either conflictual or cooperative as proposed by Luo (2001, see also Mahon 1989), but they are a complex function for MNEs which vary in nature from collaborative and divergent, as Blumentritt and Nigh (2002) emphasise. The either/or distinction in the literature might be influenced by the American perspective on CPAs where interest representation tends to be more conflictual and bipartisan as a respondent confirms who worked in his company’s Washington office before working for the Brussels office (EU2-B).

In this section, it already emerged that there might be differences between individual firms and the industry association for CPAs where, for some respondents, firms are “leaving the dirty work to the association” (EU3-B), and observe the association to engage in “much more aggressive lobbying in general” as “it has to justify its existence” (Com3). The relationship between individual firm and industry CPAs is discussed in the next section on RQ3.

### 7.4 RQ3: The Relationship between Firm and Industry CPAs

*All is fair in love, war and business as they say.* (MEP5)

It already emerged in the discussions on RQ1 and RQ2 that the relationship between individual CPAs through corporate representative offices and industry CPAs through the association(s) should be further investigated. This section therefore addresses
RQ3 (IVQ4): What is the relationship between individual firm activities and industry association activities in interest representation? Three key themes emerged from the responses:

- **Complementarities and cooperation** between the association and individual firms, which leads the industry to speak with a common voice.
- **Difficulties and challenges** for the association which lead to **individual CPAs** by firms, due to different interests, technologies and product portfolios resulting in lowest common denominator positions in the association.
- **Communication channels** where it is observed that the association mainly talks to the Commission while companies talk to MEPs.

These are now discussed according to the societal triangle and organisational type.

**The Market side**

Among respondents from the **automotive companies**, the three key themes emerged as follows. The **first key theme** revolves around **coordination and cooperation** between the companies and the association (EU3-A, US1-B) through **meetings** (EU4-A, EU1-A), where a **common position is sought** (US1-A, EU6-A) leading to a **heavier weight of a unified industry voice** (EU1-B, EU5-B), **necessary for success** (EU1-A), and where **companies and association complement each other** (JP1-A, EU2-A) and **do not compete** (EU6-A, JP1-A, US1-B) in their interest representation. The following two quotes are typical responses for this key theme of cooperation and complementarity:

Coordination is strongly via ACEA. (...) we can only achieve something if we have a unified position. (EU1-A)

(...) it’s the case that every association has an advantage that when it agrees it can speak with the whole force of the industry. But where it doesn’t agree for many reasons, then it can’t speak. And that’s our market then, we have to voice ourselves and we have to engage there. (EU3-B)

This latter quote, while in its first part illustrating the first key theme, introduces the **second key theme** in the second part. This key theme revolves around problems in the association leading to **difficulties and challenges** (EU6-A, EU2-A) when there is **no agreement** (US1-B, EU3-B), only a **lowest common denominator** agreement (EU3-A, US1-A) and **no common strategy possible** (EU1-B) which then leads to individual CPAs where **firms and the association compete** (EU3-B) with each other. **Individual CPAs are due to differences between companies** (EU5-B, EU1-B),
regarding their understanding of issues (JP1-A), interests (US2-B) and technologies (EU1-B, EU2-A, US1-B). Furthermore, competitive issues cannot be discussed in the association (US1-B, EU2-A), the companies want to assess legislation and information independently (EU2-A) and can explain the impact of legislation more directly (US2-B). This key theme of individual CPAs when the association is not able to find a common voice is exemplified by the following:

And then of course there is the case that within ACEA there isn’t unity on a position. And in this case it’s the more important to have representatives of your own company because then you have to visit the colleagues and then you have to lobby for the case of your own company. (…) It’s just the case that certain issues are very close or have a clear influence on the competition on the market and then of course the unity comes to an end because firms of course have different strategies what kind of technologies they want to bring to the market at what time and then, when competition is guiding the political discussion then it’s often the case that there is no agreement and then it always becomes difficult in politics because then politicians hear one thing from French manufacturers and another thing from German manufacturers and then the confusion is perfect of course and it’s always a bit difficult. (US1-B)

Three respondents actually put numbers on the degree of difference and commonality within the industry, stating “90% same interests” (US2-B), “80% one opinion” (US1-B) and “95-98% one opinion for the Euro norms” (EU2-A). It is the regulatory areas that are emphasised as areas of differences (EU4-A, US1-B) and therefore these differences will be explored in the next chapter on the basis of RQ5.

Two respondents acknowledge ad hoc cooperation or alliances when a smaller number of companies agree on specific topics (EU5-B, US2-B) rather than the whole association (which is still acknowledged as priority). The following provides an adequate account of the relationship between individual, alliance and association CPAs:

So the association is key here, and it’s really an important partner for the institutions on all car industry related issues. Then of course, we have also sub-groups because we share interests with for instance, with what we call the Latin car manufacturers, so [EU6] and [EU4], sometimes [EU3] also and [US2], so we have some sub-groups, you know, to push our interests, because it is very hard to go alone, one company to the institutions. We always have interest to go as much altogether as we can, but if not possible, we constitute, we build dedicated alliances for one issue or the other. (…) we build ad hoc dedicated groups to put pressure on the institutions depending on our common interests. That’s very important also to build common interest sub-groups. (EU5-B)
The third key theme is on communication channels where it is found that companies tend to talk to MEPs (EU1-A, EU1-B, EU2-A, EU4-A, EU6-A) while the association talks to the Commission (EU1-B, EU3-B) as the Commission wants one voice from the industry (EU2-A), particularly DG Environment (EU3-B).

When triangulated, respondents within the automotive association observe the following. They also emphasise a similar first key theme around complementarity between firm and association activities (AA1-A, AA1-B, AA2), with no competition (AA1-C) but a division of labour (AA1-B, AA1-C) and coordination between them (AA2, AA1-E, AA3) where the company representatives support the association (AA1-C) to agree on a position within the association (AA1-A) as it is better to lobby with one voice (AA1-C), which is often the case (AA1-D). The reason is that the Commission wants one voice, which is stressed more among association respondents (AA1-A, AA1-C) as an important element of the third key theme of communication channels than among company respondents. Here it is also stated – as above – that the association talks to the Commission (AA1-D, AA3) and that it is the dialogue partner of politics (AA1-E). Complementarily, the companies speak to MEPs (AA1-C, AA1-D, AA1-E). The connection between the member state level and companies is confirmed by the association respondent who had previously worked for a national government, stating that companies talk to council members (AA1-C). These results corroborate the findings of this communication key theme as stated by company respondents. Interestingly, two association respondents acknowledge contacts to the Commission by some firms (AA1-A, AA1-D). The following quote illustrates all three key themes by acknowledging the importance of one voice for the industry as it is wanted by the Commission and as otherwise, individual CPAs would result for certain regulatory areas:

On a lot of areas, for example on CO2, it is absolutely key and very important that ACEA speaks with one voice on these forthcoming discussions on CO2, primarily because the Commission has said quite clearly that it wants to see a common viewpoint from the industry, if it starts seeing other view points then it will listen to them.

(AA1-C)

Association interviewees therefore also recognise individual CPAs and difficulties in the association as another key theme, where company representatives communicate their firms’ views on different issues (AA1-D). Again, there are competitive reasons (AA1-C, AA1-E) and differences with regard to product range (AA1-D) behind individual CPAs. These different technologies make it difficult to have a common position in the association (AA1-C) and there is a danger of a lowest common
denominator but this is rarely the case (AA1-E). One respondent however, put this key theme into context and emphasised that agreement is indeed reached, even with difficulties:

It’s rather a process of small steps, it takes a lot of time, it’s very long-winded; yes, we agree eventually, despite different interests indeed, but we agree in the association. The association is well positioned indeed, you can notice it. I think that it is perceived by the Commission, that ACEA is strong. When individual firms are trying individually and it gets public, then it is criticised and the Commission is saying anyway, let’s wait what the association is saying. It’s not necessarily an advantage if firms are trying to go it alone. (AA1-A)

Individual CPAs are therefore not necessarily an advantage for firms or indeed, the industry itself. Such individual CPAs are particularly mentioned (often unasked, EU4-A, US1-B) for the environmental regulations and therefore the way in which CPAs differ across individual companies and different regulatory areas will be investigated in the next chapter (RQ5).

In the same line, respondents from related industries, more than automotive respondents however, referred to the environmental regulatory areas of Euro norms, CO2 and ELVs as instances of individual CPAs (Rel5, Rel7, Rel8, Rel12). Interestingly, only one respondent from related industries acknowledges that a common position is sought in the automotive industry (Rel14). Three association respondents stress the differences between their industry and the automotive industry (Rel3, Rel4, Rel5):

I think we have a different situation from ACEA because ACEA is 7 very big companies, each of them has their own representative here (...). We at [Rel3] we know we have 3 or 4 companies out of 80, which have their representation here. (Rel3)

(...) for me it is a somewhat strange observation. You have the European car industry here as ACEA but the German car manu...
positions (Rel8, Rel12, Rel14) and *individual CPAs* (Rel14) which are also attributed to different technologies (Rel7, Rel8, Rel12). This key theme is captured by the following respondent who previously worked in the car industry:

> The industry is forced to get along, but the companies are trying to kill each other on the market. The attitude is different. A good thing about the industry association is that you can use it for the bad, nasty things – let ACEA do it so we don't look so bad. And then find an opportunity individually to show how good you are. Each company protects itself, fundamentally. (Rel12)

He is also the only respondent from related industries that touches on the key theme of communication channels (see above), stating that the *Commission wants one voice* (Rel12).

**The State side**

The key theme of communication channels is stressed by all *Commission* respondents bar one. This has several aspects to it. As also stated by the market side, respondents in the Commission do indeed want or prefer one voice of the industry (Com5, Com9, Com10):

> The Commission needs a strong ACEA. (Com9)

It is generally acknowledged that the *Commission speaks to the association* (Com6, Com7, Com8, Com11, Com12). Two respondents point out that it is the official approach of the Commission to talk to the association (Com2, Com3). Nevertheless, there are instances where *individual companies talk to the Commission in parallel to the association* (Com2, Com6, Com10), but this seems to be an exception (Com11) and can be done deliberately by the Commission to “break up the fronts” between manufacturers (Com7) when the association is not able to present a unified view. This leads from the key theme of communication to the key theme of challenges for the association when companies lobby individually. The *lowest common denominator* as a characteristic for the association comes up frequently among Commission respondents (Com3) and is based on the *position of the weakest company* (Com4, Com11). This leads to situations where there is “very often no united view” (Com5) and the association and individual firms contradict each other in their CPAs (Com6). The occurrence of individual CPAs (Com8) is a reflection of *different interests and technologies* (Com3, Com5, Com11), especially for certain environmental regulations (Com3, Com10). This key theme of individual CPAs and difficulties in and with the association is reflected in the following quote:
ACEA, (...) they tend to go for the lowest common denominator. In that they are a group of bitter rivals and when they come forward with any sort of proposals, it's usually; they have to agree on the bottom, the worst case that everyone can sign up to. So it reflects normally the position of the weakest company. (Com11)

The same respondent also acknowledges that

I think they work hard to promote a united front through ACEA (...).
(Com11)

This key theme of a united industry voice reported by automotive respondents can therefore also be found among Commission interviewees. ACEA as association represents the companies (Com12), presents one voice (Com9) and does most of the lobbying (Com8). Instances of a united view are mentioned (Com5) and coordination between the association and firms (Com4), leading to "two strands" of CPAs (Com2). One interviewee even denies individual CPAs:

They lobby only with common denominators, they build up consensus, speak with one voice; they won't speak of individual interest. They don't bring it here, it wouldn't be productive. (Com9)

In this quote it is also emphasised that individual CPAs would not be advantageous which is confirmed by this respondent’s superior who states that individual CPAs would undermine ACEA’s position (Com12).

How do these views of Commission respondents compare to responses in the European Parliament when triangulated? Following on from the last key theme discussed among Commission respondents, unity within the industry is discussed first. Complementarity is pointed out as a characteristic of the relationship between association and individual firms (MEP6, MEP7, MEP9), where a united voice is attempted between association and individual firms (MEP6, MEP8, MEP9) and the association is visible (MEP10) although difficulties in finding a common position are acknowledged (MEP7, MEP9). The following quote illustrates the attempt to have a united voice:

They always try to be of one opinion, the individual corporations in the automotive industry. (MEP8)

The two MEPs, who, according to other interviewees (MEP1, MEP11) are close to the automotive industry (one even worked for the automotive industry in the past), see the association presenting a common position or consensus opinion which they – as legislators – prefer (MEP3, MEP13). While the first interviewee points out that a fragmented view is not good for the industry as it is a total relationship between the
association and individual firms (MEP3), the second assigned individual CPAs to late technological development and financial difficulties (MEP13). The latter illustrates the key theme of unity as well as the key theme of individual CPAs in this quote:

Let’s stay with ACEA, the European association, which is I think one of the most professionally organised industry association on the European level (...) that is a consensus opinion within the industry, where respective individual interests have been filtered already. And therefore I have a good feeling with ACEA overall (...). I conduct talks with ACEA, and then in most cases afterwards companies are knocking at the door and they of course have specific interests due to their product specifications. And mostly I don’t like that, because when companies are knocking at the door, they then pursue sometimes really some special concrete interest where they are possibly currently not able to achieve it technically because they have overslept some development. That’s why I prefer the position of the association. (MEP13)

This key theme of individual CPAs and disunity within the association is stressed across party lines in the EP, with a lowest common denominator (MEP4 to MEP7, MEP13) and the position of the least progressive company determining ACEA’s position (MEP12). Automotive firms therefore engage in individual CPAs so as not to rely on the association and a lowest common denominator (MEP6), which can lead to a contradiction or competition of companies against the association (MEP5, MEP7). Individual CPAs are due to differences between companies, in general (MEP4, MEP7, MEP9), financially (MEP9, MEP13) and technologically (MEP6, MEP13). Similar to respondents from the other societal triangles, EP respondents also attribute divisions among companies and a fragile association position to differences in environmental regulatory areas (MEP5, MEP7, MEP8) which will be investigated in the following chapter.

Interestingly, while the key theme of communication channels in the previous sections consists of communication between the Commission and association, and between MEPs and companies – which is also acknowledged by EP respondents (MEP6, MEP7) – these also point out that they speak to both the association and firms (MEP5) where meetings with the association are followed by individual CPAs (MEP6, MEP9, MEP13):

Both, I saw individual companies many times and I saw ACEA many times. (MEP5)

The Civil Society side
Civil society respondents show a remarkable similarity with automotive respondents in emphasising the key theme of a united voice from the sector and the association
(ACEA) as the main actor in CPAs (NGO1-A, NGO1-B, NGO3) that attempts an overall strategy (NGO5). Individual CPAs are seen as a support or addition to ACEA (NGO1-B, NGO5) and as part of activities on two levels (NGO6). One respondent raises the question whether individual CPAs undermine ACEA, but stresses it is no competition (NGO1-B). This seemingly surprising result is qualified by the statements of two interviewees who stress that the unity of the industry is in terms of opposing legislation (NGO1-A, NGO1-B):

(...) that’s very much the line of ACEA; it comes down to “please to nothing”. Companies don’t go public with any opinion that might be diverting from that. Representatives individually differ. Some are more in favour of legislation on follow up than others. They don’t all think the same. One reason is the product portfolio. (NGO1-A)

Whilst this interviewee stresses the unity of the industry he also acknowledges individual CPAs due to different product portfolios here and later also due to environmental legislation where companies have different interests (NGO1-A). Only one other civil society respondent stresses this key theme of individual CPAs that are noticeable as the association has difficulties to present a unified voice and these differences and difficulties are particularly the case for environmental regulations such as CO2 and ELVs (NGO4). The key theme of communication channel is observed by one respondent with the Commission preferring a single contact point and MEPs talking to companies in their constituencies (NGO1-B), thus reflecting what respondents from other sides mention.

**Summary**

To summarise this section, three key themes have been identified for the relationship between individual and industry association activities for interest representation:

- **Cooperation and complementarities** between individual firms and the association leading to a unified voice.

- **Difficulties and challenges** for the association through lowest common denominator positions, leading to firms pursuing individual CPAs due to different interests, technologies and product portfolios.

- **Communication channels** where it is observed that the association mainly talks to the Commission while companies talk to MEPs although there are exceptions to this general rule.

As individual CPAs are particularly stressed for specific environmental regulatory areas, these will be investigated through RQ5 in Chapter 8.
7.5 RQ6: Political Resources and Competences used in CPAs

This section addresses RQ6: What kind of (political) resources and competences do firms use in their CPAs? In the interviews, respondents were asked what kind of resources and competences companies and the association use in their interest representation, and which role they play (IVQ5). The question was asked openly; prompts that were given to interviewees are based on Dahan’s (2005a) typology of political firm resources and include expertise (and therefore human resources as carriers of expertise), financial resources, relational resources, organisational resources, reputation with other non-market actors, public image, support of stakeholders and recreational skills. These resources constitute the basic structure for the analysis. They are now discussed in a triangulating manner, based on the respective societal triangle sides, starting with the market.

The Market side

Respondents from the automotive companies generally see expertise as important in CPAs (JP2-A, EU3-B) and even as core competency (US1-A). Few respondents detail the sort of expertise and information needed (EU1-A, US1-A, EU4-A), but two types that are stressed include technical expertise and political expertise. In terms of technical expertise, views differ as to how important it is. Some technical expertise is required (US1-B), but some respondents view it as less important (EU1-B, EU2-A) whilst for others it is important (JP1-A, EU6-A) and not easily acquired (JP2-A). Political expertise includes learning to communicate with (non-technical) laymen in the European institutions (US1-B, EU2-A) and learning how Brussels works (EU2-A, EU5-B). Understanding the regulatory process is a key issue (JP1-A), but often involves learning by doing (US1-B, EU2-A, JP1-A, EU5-B):

You basically learn as you do the job. (EU5-B)

Well in our case here we only have mainly technical people with a technical background. The political side, it is something you learn and you get to know during your relations and discussions in meetings and things. (JP1-A)

This second quote relates the expertise needed to the people involved in CPAs and there is a mixed picture as to what background human resources (HR) in CPAs come from. For many firms, their HR are from within the company (EU2-A, EU3-A, EU3-B, EU5-B, US1-A, US1-B). HR have a technical (JP1-A) or political background (EU4-A), but most offices are composed of HR with mixed (academic) backgrounds (EU1-B, EU2-A, EU5-B, EU6-A, US1-B, US2-A) and mixed (international) backgrounds.

According to one respondent, expertise and information are related to the next resource, reputation and public image, who states that

\[ (\ldots) \text{the reputation we have comes from the information we are providing.} \quad \ldots \quad (\ldots) \text{you gain credibility only if you can provide clear, clean, and well-detailed and credible information.} \]

While public image is used as well (EU1-B), in line with the marketing image (EU5-B) and can open doors (US1-A) for some firms, it is less important (EU3-B) or plays no role (US2-B) for others, for whom the reputation is more important (US2-B, US2-A), which plays a crucial or big role (JP2-A, EU2-A). While the reputation of a firm can be good for contacts (US2-B), it is the reputation on a personal, individual level that plays an important role (US2-B, EU3-B).

As reputation is built up and accumulated over time (Dahan 2005a), it is closely related to relational resources, which, among automotive company respondents, are stressed as the most important resource in CPAs:

\begin{quote}
\text{It’s the heart of our work. (EU5-B)}
\end{quote}

\begin{quote}
\text{That’s the basis, without relationships and contacts to relevant decision-makers your position will not be heard, not be registered. (US1-A)}
\end{quote}

Contacts and relationships are seen as “absolutely important” (EU1-B) and as “the nuts and bolts” of CPAs (US2-B). Building up a network through developing (new) contacts and getting to know people is therefore key (JP2-A, EU1-B, JP1-A). Although it takes time to build up a network (EU1-B), this can then provide continuity (US1-B) which is considered important (US2-B, EU5-B). Personal relationships are “a bonus” (JP1-A) which lead to being known, to trust, reliability, access, trustworthiness and credibility (EU1-A, US1-B, JP1-A) of which the latter two are the “greatest asset” and “indispensable” according to two interviewees (EU1-A, EU2-A). Relational resources in the form of networks and relationships are a form of social capital (see Ch. 2\textsuperscript{163}) which is therefore inherent in the nature of CPAs. Social capital in the form of networks includes both bridging and bonding forms of social capital:

\begin{quote}
\text{As important as an external network is an internal network (EU2-A)}
\end{quote}

\[ \text{\scriptsize{\textsuperscript{163} Based on Serageldin and Grootaert 1999, OECD 2001, and Grootaert and van Bastelaer 2002.}} \]
Bridging social capital is outside corporate boundaries in external networks while internal networks constitute bonding social capital which are mentioned by two further interviewees (EU1-B, US2-A) as necessary resources for CPAs.

Organisational resources are defined by Dahan (2005a) as internal resources such as permanent representations in Brussels and as external resources such as trade associations. As only companies with permanent offices in Brussels were interviewed and as all of them are association members, and as it is not mentioned by automotive respondents, this resource is not discussed further here.

The support of other stakeholders tends to be seen as mixed (EU3-B) which is important in theory, but rarely the case in practice (EU2-A) and therefore less important (US1-A), depending on the topic (US1-B, US2-B, EU5-B).

Only two companies mention recreational skills as resources and competences used in CPAs. While US1 uses events to interact with policy-makers (US1-A) it also acknowledges that due to financial difficulties this has had to be cut back (US1-B). Contrarily, EU2-A sees recreational skills as unnecessary if “the contacts are there” and financial resources are not used for events (EU2-A).

Financial resources receive mixed responses among automotive companies, ranging from stable, increased and declined financial resources.

This interview question yielded less material among respondents in automotive associations who mention HR and their expertise as the main resource used in CPAs. While HR in the association have a mixed background (AA1-C), the association partly gets its experts and HR from companies (AA1-A, AA1-B, AA1-C) where an industry background is important (AA1-D). Technical expertise is important (AA1-B, AA1-C, AA2) as well as background information (AA1-D), but it is also pointed out by two association respondents that there are different levels of expertise between the association and the Commission which makes it difficult to communicate (AA1-B, AA1-D). The latter respondent indicates that it might therefore be more important to know where the expertise is rather than having it yourself (AA1-D):

It seems that it is more important to have a resource from which you can draw information that you can communicate, than to have the competence and experiences by yourself, on your own. (AA1-D)

Similarly, his colleague suggests that it is more important to know whom to contact than having a contact (AA1-E). Unlike the other respondents, he points out that a
A basic understanding of the political process is crucial and that a mixed technical and political expertise is needed (AA1-E).

Other resources that are briefly mentioned among association respondents are recreational skills (used by the association in the form of events, AA1-C), financial resources (decreasing, AA1-D) and reputation which is important in the case of individuals (AA1-D). The latter also relates to relational resources of which the same interviewee emphasises that personal chemistry is important (AA1-D). His colleague attributes a strong role to contacts and networks while at the same time conceding that interfacing skills with decision-makers are hard to learn (AA1-C):

> It plays a strong role, because, and since I know most of the people it has made my job a bit easier in being able to communicate with them without having to introduce myself and get to know them. (...) What sometimes is hard to learn is the ability to, is the interfacing skills with decision-makers out there. (AA1-C)

It is relational resources that are most emphasised by respondents from related industries, together with expertise and reputation. Only one interviewee mentions ACEA using recreational skills by organising events and conferences (Rel8) while support from other stakeholders and financial resources are not mentioned at all by this category. Three interviewees emphasise the importance of image and reputation (Rel6, Rel9, Rel14), two interviewees see the basis for this resource in credibility (Rel3) and expertise and information (Rel5). Expertise is itself a resource, which is stressed in this segment. Similarly to responses from automotive associations, expertise is provided by experts from member companies (Rel3, Rel4, Rel5, Rel14). HR involved in CPAs come from a mixed background, i.e. from industry and from European affairs or Communications (Rel3, Rel6, Rel14). This means that both technical and political expertise is important (Rel9). While industry experience is needed for credibility (Rel3) and experts come from member companies, and therefore tend to have more of a technical background, the political expertise is acquired in learning by doing (Rel3, Rel6, Rel8, Rel9). As with automotive association interviewees, different levels of expertise are emphasised between the industry and the European institutions (Rel6, Rel8). Similarly, relational resources might be influenced by the institutions: two interviewees attribute a less important role to personal contacts and continuity as the Commission tries to include all stakeholders (Rel8), and as people in the institutions change as well (Rel13). Furthermore, while continuity might be good for policy-makers, it might be less so for company representatives concerned about their prospects back in the company (Rel14). Nevertheless, the latter respondent stresses the role contacts and
relationships play and the importance of being well connected (Rel14) which is confirmed by other interviewees: contacts and networks are the “basis of the work” (Rel3) and “most important” (Rel7), and “being known is very important” (Rel6). Continuity as part of relational resources is seen as important (Rel3, Rel6) and helpful (Rel9):

(...) it helps to be seeing the same people. And then you can build up a certain amount of trust. (Rel5)

Trust and credibility play a role as resource (Rel3, Rel7) and are connected to continuity (Rel9). At the same time, dynamics are seen as important as continuity (Rel7).

To summarise, the main resources for respondents from the market side – across industries and organisational types – are expertise and relational resources. Relational resources are one form of social capital and are used both in its bonding and bridging form, developing internal and external networks.

The State side
Similarly to automotive association respondents, this interview question yielded less information among Commission respondents, of whom four emphasise that it is difficult to say or see from outside (Com1, Com2, Com3, Com7):

It’s difficult to see that from outside. (Com3)

While support from other stakeholders, financial resources and recreational skills are not mentioned, five respondents do mention organisational resources – unprompted – as resources used by the industry in the form of company and association offices in Brussels (Com2, Com3, Com7, Com9, Com10):

(...) the big companies, the big associations, the national associations, they all have offices in Brussels here and this helps as well – if you want to have access, then it’s simply practical when the people are here in Brussels. (Com10)

The remaining respondents stress the same resources as market side respondents, that is, expertise, relational resources and reputation. Public image is seen as less important (Com11) and, similarly, the reputation of individuals interacting with decision-makers matters more than the reputation of their firm or association (Com4, Com7, Com11, Com13). Correspondingly, the credibility of individuals is more important than the credibility of the company they represent (Com4). As established above, credibility is a relational and reputational resource. Other relational resources mentioned by Commission interviewees include the importance of (personal)
relations and contacts (Com11, Com13), of networks (Com13) and of continuity (Com4), which also depend on personal chemistry (Com13). Lastly, information and expertise are also used in CPAs, as seen by Commission respondents (Com1). While one respondent experienced HR with political expertise and less technical expertise (Com6), his colleague had dealt with many engineers from a technical background and ‘engineers-turned-lobbyists’, but also stresses that the background depends on the topic (Com4). It is therefore rather a mix of backgrounds including both engineers and government relations people (Com11, Com13) with experts sent from headquarters (Com13).

Respondents from the European Parliament, unlike respondents in the Commission, do mention support from other stakeholders, financial resources and recreational skills. One MEP mentions recreational skills in the form of events, but states that financial resources are not visible (MEP3) which are a basis for HR (MEP10). While support from other stakeholders is deemed less important by one respondent (MEP8), his colleague points this out as “very important” for decision-making in the EP (MEP4). Organisational resources are mentioned by three respondents (MEP7, MEP9, MEP10), one of whom points out that the industry is well-staffed (MEP9). One MEP confirms that it is difficult to say what kind of resources are used, confirming Commission responses above (MEP11), while her colleague indicates that the situation is very varied and different concepts are used (MEP7).

In line with Commission and market side respondents, expertise, relational resources and reputation are the resources and competences that EP respondents stress most. Here again, it is the reputation of individuals that plays a role (MEP5, MEP7, MEP8, MEP9), while the public image and reputation of the company does not play a role (MEP4, MEP5, MEP7, MEP8, MEP9) although companies pay more attention to it than before (MEP10). One respondent relates the importance of individual reputation to lobbying as a social activity (MEP9) where personal chemistry (MEP8) and informal talks (MEP3 play a role which links the resource of reputation with relational resources. Contacts and relationships are crucial for CPAs (MEP3, MEP9), providing reliability and trust (MEP6, MEP7, MEP13) and credibility (MEP13). A long-term view of contacts provides continuity (MEP9, the importance of which as a resource is brought up by an interviewee (MEP3), which is confirmed by several others across the party spectrum (MEP4 to MEP7, MEP13). Networks play a significant role in this
respect (MEP7, MEP8, MEP11), the continuity of which is important (MEP13). The following quotes illustrate this:

I think, in order to be successful, this is a keystone, to have real continuity in the network structures. (MEP7)

(...) politics is a people business so the quality expertise and willingness to engage with us are really the crucial resources that you have in external affairs. (MEP3)

This second quote refers to the last resource discussed, expertise (MEP3, MEP6, MEP11) as well as information (MEP10, MEP13) and the HR providing it. The expertise – similarly to responses discussed above – consists of political expertise (MEP4, MEP8, MEP11) and technical expertise (MEP2, MEP9, MEP10). The expertise can also be in the form of publications (MEP8). One respondent points to the importance of being able to communicate technical details to non-technical people (MEP9). There is a mix of backgrounds for HR, with generalists and specialists (MEP2), lawyers (MEP8), engineers and public affairs people (MEP9) with some experts being sent from member companies (MEP2, MEP3).

To summarise, the main resources for respondents from the state side are expertise, relational resources and reputation, and, to a lesser extent, organisational resources.

The Civil Society side
Interestingly, financial resources are not mentioned by interviewees in environmental NGOs, even though this could have been expected. One respondent, however, does refer to the automotive industry as putting in “a huge amount of resources” albeit without specifying them, and mentions organisational resources such as offices of firms and of associations (NGO1-B). As with respondents from the EP, support from other stakeholders is mentioned twice: social partners as well as local and regional politicians support the industry in its CPAs (NGO1-B) but, although it plays a role,

the automobile industry is economically such a strong sector that it doesn’t need any broader alliances (NGO4).

This respondent also attributed less importance to the relational resource of continuity as it is more important to be able to build networks rapidly (NGO4). Nevertheless, personal contacts play a central role through relations and networks (NGO4, NGO5), and the network can be improved through continuity (NGO5). Contacts can be established through events (NGO1-A). Recreational skills in the form of receptions, events, conferences and lunches are observed by more respondents than in other triangle sides (NGO1-A, NGO1-B, NGO3). The resources
of reputation and public image get mixed views among civil society respondents where reputation of the individual is said by some to have a role (NGO5) and by others not to have a role (NGO1-B), while it also depends on the company (NGO1-B). The public or brand image is used in CPAs by some companies (NGO1-B) which plays a role as the industry fears being labelled an “environmental pig” (NGO4). Trust as a relational and reputational resource is important for the provision of data (NGO1-A).

Expertise and information is the most important resource mentioned by civil society respondents in environmental NGOs (NGO1-A, NGO1-B) where technical expertise is essential (NGO2-A, NGO4) which has to be used together with political expertise (NGO4). Expertise can be in the form of studies (NGO1-A, NGO3). As with other respondents, HR consist of different backgrounds, where (technical) experts come from headquarters or member companies (NGO1-B, NGO2-A, NGO5) and people in Brussels are generalists with a government affairs background (NGO1-B, NGO2-A). Two critical respondents mention that HR play an important role but not the most important (NGO4) or are “not good” (NGO1-A), attributing this to a lack of interest on the part of top management (NGO1-A). Again, different levels of expertise between the Commission and industry are observed (NGO2-A). Therefore, the ability to tailor the message is important (NGO1-B).

Summary

The two main resources used in CPAs as stressed by respondents from all triangle sides are expertise and relational resources. Reputation plays a role as well, while public image is less important and, similarly, financial resources, recreational skills and support from other stakeholders. Organisational resources are seen as given as the companies and associations interviewed are all represented in Brussels through offices there.

7.6 Conclusion

In this chapter, the general findings of the interviews were examined in a triangulating manner, according to four research questions (RQs 1-3, RQ6; IVQs 1-5).

➢ RQ1: Why do firms engage in CPAs?

This question investigated the motivational factors, the reasons why companies in the automotive industry are politically active. The analysis and discussion resulted in
the following five key themes as main motivational factors and thus a typology of reasons to engage in CPAs:

- **Information and communication**: This was the main reason for CPAs as stated by market side respondents, both in the automotive and related industries, companies and associations. It included an active and passive aspect (to inform and to be informed), and a relational aspect (to be in contact with the institutions).

- **Business interest**: This key theme received most attention by state side respondents, which included the business impact of legislation on business operations and the desire to influence legislation to protect business.

- **Predictability and fairness**: Planning purposes and the creation of a level playing field were mentioned by all societal triangle sides but more so by the market side.

- **Positive motivators**: Such reasons played a minor role for state and market side respondents, slightly more emphasised by the market side.

- **Defensive motivators**: Whilst negative motivators such as avoiding, weakening or postponing legislation were acknowledged by all sides (except by related industries), this was heavily stressed by civil society respondents.

Furthermore, it was demonstrated in the discussion that due to the business impact of legislation on business operations, government policies can be an endogenous factor for corporate strategy as they can be influenced according to business interests. This concerns particularly the pre-regulatory aspect of CPAs.

- **RQ2: How do companies organise and approach CPAs?**

In the discussion for this research question it was found that companies differ widely in how they organise and name their business function. A communicational distance between representative offices in Brussels and headquarters emerged as a result which meant that the significance of CPAs undertaken in Brussels was not necessarily acknowledged or recognised at corporate headquarters. In terms of the approach taken in CPAs, this could not be generalised as either cooperative or confrontational. Whilst automotive respondents tended to portray it as cooperative in general, respondents from related industries and the other triangle sides saw it generally as more defensive. However, it was stressed by all three triangle sides that it depends on topics, individual firms and the association, and on the time scale (both of policy processes and automotive CPAs over time).
RQ3: What is the relationship between individual firm activities and industry association activities in interest representation?

In the discussion on how individual firm activities and industry activities relate to each other, three key themes emerged from the discussion on all triangle sides. The key theme most stressed by automotive respondents (but acknowledged by all others, too) was cooperation and complementarities between individual firms and the association, leading to a unified voice where individual activities were not seen as advantageous. The second key theme was observed particularly by related industry respondents as well as state side respondents where difficulties and challenges for the association through lowest common denominator positions led to firms pursuing interests through individual CPAs based on different technologies and product portfolios. The third key theme across the triangle was communication channels where it was observed that the association mainly talks to the Commission while companies talk to MEPs, although there are exceptions to this general rule. In this part there were already indications that there might be differences in CPAs with regard to environmental regulations and individual MNEs, which will be investigated in the next chapter.

RQ6: What kind of (political) resources and competences do firms use in their CPAs?

The last research question examined in this chapter was based on the discussion of the RBV in Ch. 4 and Dahan’s typology of political resources. For market side respondents, the main resources that were stressed as being used were expertise and relational resources with an aspect of reputation. This includes a strong element of social capital in the form of relational resources – contacts and relationships were emphasised as key to CPAs. Similarly, state side respondents – while stating that it is difficult to observe from outside – highlighted expertise, relational resources and reputation as main resources used for CPAs.

Civil society respondents – more than other respondents – observed recreational skills as resources used by firms in CPAs, but in line with them, also stated expertise and relational resources as important resources for CPAs.

It can therefore be concluded that social capital, both in bonding and bridging form, through reputation and relational resources is an important (political) resource and competence that automotive companies (and associations) use in their CPAs which
provides them with access to and information from policy-makers. Furthermore, expertise is a vital resource used in CPAs.

This concludes the discussion of the general findings of the thesis according to four research questions (RQs1-3, RQ6). The following chapter now discusses the perspective of companies on environmental regulations (RQ4) and how CPAs differ across different areas of environmental regulations and between MNEs from the Triad regions (RQ5).
8 Analysis of the Differences in CPAs within Environmental Regulations and Individual MNEs

8.1 Introduction

As suggested in the previous chapter on general findings, there are indications that companies differ in how they carry out CPAs with regard to their country of origin, their technology, and market positioning. These issues are investigated in this chapter, starting with environmental regulations and how companies view these. The three chosen regulatory areas are then discussed in turn. The second part of the chapter looks at the country of origin of the MNEs engaged in CPAs and how the individual companies carry out their interest representation. It will thus be presented according to the main unit of analysis, the individual firm level. The chapter addresses these research questions, and revisits RQ6 on their basis:

- RQ4: How do enterprises view environmental regulations?
- RQ5: How and why do CPAs differ – across different areas of environmental regulations, and between MNEs from the Triad regions?

The selected instances of pollutant emissions, CO2 emissions and scrap cars are all areas of environmental policies that have been intensely debated between policymakers and companies, between OEMs and suppliers, and between different countries. The chapter starts with a general perspective on how companies actually view these environmental regulations.

8.2 RQ4: How do Enterprises view Environmental Regulations?

Environment is the hottest issue. (Rel12)

The interview question regarding companies’ views on environmental regulations was posed openly (IVQ8). Prompts that were given included opportunities for innovation from environmental regulations versus costs of environmental policies, based on the so-called ‘Porter Hypothesis’164.

164 Conventional wisdom claims that economic growth and environmental protection measures are mutually exclusive, while the Porter Hypothesis states that tougher environmental standards – if properly designed – can lead to more innovation and thus to more economic benefits for corporate environmental leaders (Porter and van der Linde, 1995a).
The environmental area has become the single most important issue in CPAs for automotive companies as interviewees emphasise in triangulation (EU5-B, US1-B, AA1-D, AA3, Rel3, Rel14, Com1, MEP6, NGO6). The responses are now discussed in turn, according to triangle side.

**The Market side**

Responses from *automotive companies* show mixed results for this question with wide-ranging replies. On the one hand, the importance of environmental regulations is acknowledged and taken seriously (EU3-B, US1-B, JP1-A, JP2-A), which create "chances and opportunities" (US2-A) to be proactive (EU6-A) and to drive technological progress (US1-A):

> We take the position on environmental issues very serious, and we have adopted a position of environmental leadership, which gives us a heavy weight of responsibility of obeying the law. (JP2-A)

Both Japanese companies that were interviewed stress their goal of being leaders in environmental regulations or performance (JP1-A, JP2-A), while European and American firms seem to be more mixed in their responses. The two American companies try to turn environmental challenges into opportunities (US2-A) and try to do what is technically feasible while not being in opposition to environmental regulations, stressing the issue of *timing* (US1-B). The respondent who had worked in both the Washington and Brussels office of their firm points out that the opposition to environmental regulations is much stronger in the US than in the EU because of the public debate in Europe (EU2-B).

On the other hand, environmental regulations are seen as imposed (EU1-A), as too numerous and too strict (EU1-B), as *challenges* (EU2-A), even a key challenge in public relations (EU5-B) and as considerable *cost factors* (US1-A):

> The fact that costs is a constraint, big constraint for us, because we are mass producers, lies in the fact that the solution is not always first innovation, because it’s very costly. (EU5-B)

> We are very finance-driven as a company, these are all considerable cost factors (...) it is very difficult to pass on costs to the consumer. (US1-A)

In this respect the *consumer aspect* is emphasised: customers are not prepared to pay for cars that meet environmental standards (EU1-A); it is difficult to pass on the costs to consumers (US1-A) as affordability is a problem for them (EU4-A). Similarly, profitability is a priority for companies where the cost factor comes first and innovation second (EU5-B). Furthermore, *regulatory conflicts* and contradicting...
requirements within environmental regulations are pointed out (EU2-A, EU3-B, EU6-A) which should be avoided by policy-makers as there is otherwise the danger of promoting certain technologies at the cost of innovation ability when only the goal and not the technology should be prescribed (EU3-B). Environmental regulations should therefore be reasonable, balanced, and realistic, at justifiable costs (EU3-B, US2-B).

Similarly, a balanced view is offered by respondents who see both an opportunity for innovation and cost factors in environmental regulations (EU6-A, US2-B, JP1-A); it is acknowledged that a balance is difficult to strike in terms of questions of cost and wishes to prioritise environmental issues (EU4-A):

(...) on the one hand first of all, these are costs factors, very clearly, we are in a highly competitive environment in principle and in this it is very difficult to allocate the additional costs of EU legislation to the consumer. But it has its environmental advantages; that’s recognisable, without the legislation on the European side (...). This way, the European Commission is demanding on the automobile industry in terms of the environmentally conscious consumer; they also push and drive technical progress. (US1-A)

As with the research questions in the previous chapter, the issue of social desirability emerges again, illustrated in the following quote, possibly pointing to “green PR” of firms:

The firms also want to show that they are active regarding the negative effects of their activities. (EU3-A)

Among respondents in automotive associations this issue seems to be more clear-cut, albeit under the caveat of fewer responses. The importance of a cost-effective solution for environmental issues is stressed (AA1-B, AA1-D) and, similarly to corporate responses, contradictory or conflicting requirements within environmental regulations are pointed out (AA1-C, AA1-D). The respondent of the Japanese association confirms above statements about its members building environmentally friendly vehicles but also acknowledges that environmental regulations, especially CO2, are a serious issue with a negative impact on the automotive industry (AA3). Therefore, “it has to be a balance” as association membership may be heterogeneous in this respect (AA2).

Similarly, respondents from related industries emphasise an aspect of balance with regard to how environmental regulations are viewed. Rel4 see the balance between being necessary and welcome, and being realistic and cost effective, while Rel6 agrees with the objectives but views regulations as sometimes too detailed and
bureaucratic, and hence they are both a cost factor and opportunity for innovation (Rel6) which also depends on the topics (Rel14):

(...) it depends on the individual regulations. (Rel14)

Rel3 see environmental regulations becoming stricter and stricter whilst also stating that it is important to recognise the needs of society with regard to the environment. It is therefore a compromise (Rel9) where the industry favours the biggest environmental gain at the lowest cost (Rel6). Whilst the car industry is seen as being technologically advanced, it is also perceived as only seeing costs and putting brakes on environmental regulations (Rel8). This is particularly the case for ACEA who is seen to use the cost factor as a reason to push against such legislation (Rel7, see quote below). In order to keep costs down, firms and their association are seen to “blow the cost factor out of proportion” (Rel8) which leads to the car industry being seen to “cry wolf” on environmental regulations (Rel8). There are, however, real concerns about contradictory requirements in environmental regulations for car manufacturers (Rel12), but their negative approach makes them “look bad” in this respect (Rel12). It is an “issue of timing” for car manufacturers (Rel9) and an important distinction is made by respondent Rel7 who points to such regulations being a cost factor in the short term and an opportunity in the long term:

The cost of technology, ACEA is using it as one factor against pushing legislation. What looks as cost in the short term is an opportunity in the long term on a wider scale. (Rel7)

He emphasises a difference between European and Japanese car manufacturers in this respect (Rel7), with the latter being more advanced in clean technology development, thereby confirming car industry responses (AA3, JP1-A, JP2-A).

**The State side**

Two **Commission** respondents confirm and echo this last respondent from related industries (Rel7) in two respects. Firstly, it is confirmed that the European car industry especially sees environmental regulations as additional costs while the Japanese industry, particularly JP2, is open, or even positive for future environmental regulations (Com12). Secondly, the long-term perspective of environmental regulations is stressed as an opportunity for competitive advantage for the industry (Com8). Relating to this, another respondent remarks:

What tends to happen is once a standard gets announced it is seen as very high cost. But then due to the power of technical development the industry is incredibly effective at reducing those costs. (Com11)
Whilst one respondent views the industry as ambivalent with regard to environmental regulations (Com10), which needs to be pushed to regulations (Com9), the majority of respondents in the Commission across DGs see the cost factor as the main concern of the industry in relation to environmental regulations (Com1 to Com5, Com8, Com11):

There are exceptions, but in general it tends to be the cost factor. (Com5)

The cost may be passed on to the consumer with negative effects on market share (Com1). The industry is seen as defensive (Com12), putting an emphasis on making standards weak, postponing them or putting them off (Com4). It is perceived to view environmental regulations negatively (Com5, Com6, Com7, Com12) and not as opportunities for competitive advantage (Com1), innovation, or employment (Com6, Com12) as they are perceived to be a barrier to profit (Com4).

In the European Parliament, similar perceptions emerge: the industry is perceived to see environmental regulations negatively (MEP3, MEP6), and therefore as being very defensive (MEP9) and cautious (MEP13), trying to weaken or postpone environmental legislation (MEP8, MEP1), even “favouring pollution” as one MEP puts it (MEP11). The following quote illustrates this key theme:

When it comes to the automobile industry, there is a general impression that they've been laggards for most of the time. The ones who lobby on environmental legislation so far on CO2 and air pollution in the recent past do so to try to weaken or postpone whatever action we want to take. (MEP1)

Whilst one MEP sees car firms as environmental laggards (MEP1), another relates their cautiousness to their experience of “once bitten, twice shy” – according to him, they have delivered much in advance but have still been regulated and therefore are seen to push against environmental legislation (MEP13). Although politicians might see opportunities for innovation in environmental regulations the industry largely sees it as a cost factor (MEP6, MEP7, MEP9, MEP12):

(...) the car manufacturers felt that the cost burden was much more on their side. (MEP12)

Although some companies do indeed see it as opportunity for innovation (MEP5, MEP7), this is also perceived as paying lip service to the environmental agenda in terms of “green PR” (MEP5). A notable exception is again emphasised for Japanese companies (MEP5, MEP11), which thereby triangulates and confirms other responses from industry and the Commission. One MEP also echoes other
respondents in pointing out that timing is an issue, that environmental regulations are a cost in the short run, but an opportunity for innovation in the long run (MEP7). At the same time he emphasises that it is difficult to answer in general, as there are different perceptions within organisations concerning environmental regulations, pointing to work councils, engineers and strategists seeing opportunities in them (MEP7). Environmental regulations are therefore a balancing act between being ambitious and being acceptable (MEP10), and a compromise between being defensive and marketing environmentally friendly products (MEP2).

The Civil Society side
While the consumer NGO respondent agrees with above reports that environmental regulations are a compromise (NGO6), respondent NGO4 sees the industry taking a “trade-off perspective” where too much environmental protection costs jobs. At the same time, this respondent also perceives car firms to engage in green PR, underlining that they stress being “very innovative, environmentally friendly” (NGO4), which is confirmed by another interviewee:

Externally, one represents oneself as green as car manufacturer. (NGO2-B)

Again as above, Japanese companies, particularly JP2, seem to have a more positive view on environmental regulations as an opportunity to progress (NGO5, NGO1-B). In general, however, the industry (through ACEA) is perceived to be negative towards environmental regulations (NGO1-B, NGO2-B, NGO5), which cost too much (NGO1-A), are too strict, “overachieving the target” (NGO1-B), and which are to be avoided as they are not an opportunity but an international competitive disadvantage (NGO2-B). One respondent puts it as follows:

(…) the industry as such, doesn’t shy away from means and efforts to defend environmentally harmful activities. (NGO3)

Only one respondent here emphasises that it depends on the brand (NGO5).

Summary
While car firms saw both cost factors and opportunities for innovation in them, association respondents stressed cost-effectiveness and contradictory requirements with regard to environmental regulations. Related industries saw a balance but also point to the car industry putting the brakes on despite being technologically advanced. While also acknowledging the need for balance and compromise in this area, state side respondents from both the Commission and the EP perceived the
industry to view environmental regulations mainly negatively and as a cost factor. This was echoed by civil society respondents who also saw an element of “green PR” in the industry’s stance towards environmental regulations.

It emerged from both the market and state side that timing is an issue where environmental regulations might be a cost in the short term but can be an opportunity for innovation in the long term. Japanese companies, particularly JP2, were identified as firms that – more than their European and American counterparts – see opportunities for innovation and environmental leadership in such legislation.

8.3 RQ5: CPAs across Three Areas of Environmental Regulations

In the following sections the first part of RQ5 is addressed, on pollutant emissions, CO2 emissions and ELVs (IVQ9):

➢ RQ5: How and why do CPAs differ – across different areas of environmental regulations?

It is worth re-stating at this point that not every respondent covered each regulatory area (see Table 6.5) and therefore some parts of the discussion rely on fewer responses than other parts.

8.3.1 Area 1: Pollutant Emissions

Regulations for pollutant emissions have been successively tightened\(^\text{165}\), starting with the introduction of the catalytic converter in the 1980s and continuing with the Euro norms in the 1990s\(^\text{166}\). There is therefore a historical dimension to this, which will be referred to as well. The discussion starts with the market side, followed by the state and civil society, thereby following the same triangulating pattern as the preceding chapter and section.

The Market side

Starting with *automotive companies*, the Euro 5 standards were “in the making” at the time of data collection, and the industry does not like to talk about topical things.

\(^\text{165}\) For the introduction to Euro norms see Ch.3. The standards are regulating tail pipe emissions such as carbon monoxide (CO), Hydrocarbons (HC), Nitrous Oxide (NOx) and particulate matter (PM).

\(^\text{166}\) The norms were passed in the following years: Euro 1 and 2 in 1991 and 1994, then Euro 3 and 4 in 1998, with the latest norms Euro 5 and 6 adopted in December 2006. The standards came into force in the following years: Euro 1 in 1993, Euro 2 in 1996, Euro 3 in 2000, Euro 4 in 2005, Euro 5 in 2009, and Euro 6 in 2014 (Dieselnet 2007).
as “one never knows how it ends up”, as one respondent points out (EU3-B). For respondent US2-A Euro 5 also seems to be “not going too well” as component suppliers are lobbying “very aggressively” which is confirmed by respondent US1-B in stating that suppliers go “completely” against the car industry’s position – suppliers have developed the technology and want to sell it, but components (e.g. catalytic converters) need to be fitted and aligned to vehicles at great cost (US1-B, US2-A). The respondent points to the cost of equipping a small car with particulate and NOx filters, which can make it up to one third more expensive, which is a “killer argument” for buyers in that car range (US1-B). Such extra costs are easier to tolerate for higher-end companies such as EU1 compared to EU6 (EU1-A) – the respondent highlights different cost structures of small or cheap manufacturers which is a “natural difference rooted in products” (EU1-A), thereby explaining different CPAs in this respect.

One important aspect of pollutant emissions legislation is the question of particulate matter from and filters for diesel cars. In this respect, it is “no secret” that there is a rift between French and German manufacturers (US1-B, EU3-B) which is confirmed by EU4-A stating that EU4 has “problems” with small diesels while US1’s German-based subsidiary can be “proactive” (EU4-A). One respondent puts the particulate matter into perspective by highlighting that passenger cars are responsible for 5% of such emissions, but that the whole discussion focuses on cars, thereby forcing the industry automatically into a defensive corner (US1-B). This is also true for the historical dimension of pollutant emissions legislation: the industry is “regularly accused” of the catalytic converter debate as it opposed such converters, saying “it wouldn’t work”, but then introduced these nevertheless (EU2-A). The respondent points out that the industry had to introduce the technology prematurely which led to fuel penalties, meaning that Euro 3 and 4 standards had an influence on the CO2 VA (EU2-A) which will be discussed in the next section. Other respondents also highlight trade-offs between CO2 and pollutant emissions (EU1-A, EU6-A, JP2-A). With regard to the latest round of standards, Euro 5 and 6, the same respondent highlights that the industry had a common position of “95 to 98%” (EU2-A), which needs to be seen in the context of above statements regarding a rift between manufacturers.

Three of the four respondents in automotive associations discussing pollutant emissions largely confirm responses from automotive firms. The tension between suppliers and OEMs is confirmed where suppliers report that the technology works while car firms are concerned that it is more complicated:
[they] say that it works in one car, but we need to make it work on 100,000 cars. (AA1-B)

The negative trade-off between pollutant emissions and fuel efficiency and therefore CO2 emissions is again highlighted (AA1-C, AA1-D). In this respect, one respondent observes a move away from fact-based decision-making: a move from cost-effectiveness to latest-available-technology as a basis for regulation (AA1-D). This means that, while the Auto-Oil Programme 1 (AOP1) was the main input for Euro 1 and 2 standards, Euro 3 and 4 were passed before the AOP2 was finalised, and for Euro 5 and 6 there was no clear linkage between the CAFE programme (Clean Air for Europe) and the standards, which indicates a rift between scientific and political reality (AA1-D)\(^{167}\).

Likewise, the rift between German and French manufacturers in the Euro norms discussions is confirmed, particularly for Euro 5 and 6 on diesel particulate filters: without these, French manufacturers would not have been able to meet the norms; the legislation has a “massive impact in terms of costs” for these manufacturers, more than for producers of luxury cars – the example provided is EU4 _versus_ EU7 (AA1-E).

Respondents from _related industries_ also highlight the diesel issue as a rift between German and French car companies (Rel7, Rel8, Rel12), where French firms developed a particulate filter whilst German producers could have managed to meet the standards without one. Interestingly, diesel is highlighted as a European strategy, which led to a battle between diesel _versus_ hybrid and therefore European manufacturers _versus_ Japanese manufacturers (Rel12). The same respondent also emphasises disunity in the industry:

> During the Auto-Oil Programme, discussions for Euro 3, 4 and 5, it was really painful. ACEA said one thing, then another company said another thing behind doors. (Rel12)

As in the discussion on companies’ view on environmental regulations (RQ4), the car industry is seen as “crying wolf” – crying “too loud, too many times that it’s not possible” (Rel8) when, in fact, two to three months after the Euro 5 and 6 standards had been passed, EU2 introduced a Euro 6 compliant engine well ahead of time (Rel7). The respondent therefore perceives the automotive industry as successful at a political level, whilst the suppliers are more successful at a technical level (Rel7).

\(^{167}\) See e.g. Friedrich et al. 2000, Arp 1995, Wettestad 2006 and chapter 3 for more on the Auto-Oil Programmes (AOP1 and AOP2).
Similarly to the discussion on RQ4 the issue of timing and cost is acknowledged with regard to pollutant emissions: the “political direction of goals” is accepted by everybody, but speed and cost need to be taken into account as well (Rel14).

The State side
Commission respondents echo related industry responses in their perception of the car industry “crying wolf” on pollutant emissions, both in past and present discussions (Com11, Com4), where in the past the industry fought against the introduction of catalytic converters (Com11) and “had to be pushed” (Com9). Similarly, the dichotomy between suppliers and OEMs concerning the feasibility of technologies is confirmed (Com3, Com4), with the suppliers being known as successful in CPAs (Com3). For Euro 5 and 6, the industry presented a united front (Com3), with a “closed attitude” based on a lowest common denominator, not even wanting to discuss clean technologies (Com11).

The rift between German and French manufacturers is observed in the Commission by both DGs involved in policy-making (Com10, Com4), with French manufacturers “struggling” to come up with the technology, particularly with regard to diesel for Euro 3 and 4 (Com4), while for Euro 5 and 6 there were very different messages regarding NOx (Com10, Com5) and particulate traps (Com3). The difference in CPAs concerning French and German car firms is also related to their product range, which one respondent explains as follows:

Well, one had the impression, you could be very cynical about this and say that those were the ones that produced at the bottom-end of the market, those are the ones that if you start putting a 150-200 Euro piece of kit on a car, the marginal additional cost is going to be quite significant, whereas those operating towards the higher end of the market are going to be less disadvantaged by having to put this piece of kit on a car. (Com4)

This difference between manufacturers of luxury cars versus small cars is confirmed by another respondent (Com11) who also relates this to manufacturers who export to the US and find it easier to meet European standards than other manufacturers since standards in the US are more stringent (Com11). In this respect, one civil servant observes that companies are sometimes “in conflict with their own policies” – the diesel-focused European manufacturers oppose tightened limits in the EU but in the US they seem to maintain that they can meet the stricter diesel standards (Com2).

In the European Parliament, this gap between the US and the EU concerning exhaust emissions is also noted in terms of very different standards (MEP8, MEP11),
which means that if companies want to sell European cars in the US they need to meet the more stringent standards there (MEP11). There are thus differences between firms that are strongly oriented towards the US and those that are not rooted there (MEP7). In general, a broad spectre of interests is noted (MEP7) with lobbying from the association followed by a breakdown and CPAs from individual companies – being “less well organised” is noted as not helpful to the industry in this respect (MEP9). The Euro 5 and 6 discussions are highlighted as a “good example” where companies broke out of the association leading to a division (MEP8), based on economic difficulties (MEP13). Even earlier than that, however, around 2000, the association had “suffered a blow” from the diesel debate, and so had the cooperation within the industry (MEP8). Concerning Euro 5 and 6, the contrast between suppliers’ and OEMs’ CPAs is again noted, as above (MEP8).

More specifically, differences in CPAs are attributed to various factors. As above, a rift between German and French (also Italian) producers is observed, with the German manufacturers seemingly more proactive (MEP12), while manufacturers of smaller cars are also more hit by tightened standards than those of bigger cars in terms of absorbing higher cost as a percentage of price (MEP9). In this respect, producers of smaller cars try to achieve limit values with inner-engine measures while other manufacturers develop after-treatment, which leads to a difference in interests (MEP7). An interesting distinction is made by one former MEP who – whilst acknowledging differences between small and big car manufacturers – attributed differences in CPAs to differences in financial success:

(...) on the one hand you have cutting edge manufacturers who are pushing ahead and being financially successful. And you have others who are struggling to meet the present standards and they are tending to pull things back. (...) you have to make the division between those car manufacturers who were relatively successful financially, and which were developing good, sound, progressive technology, and the others who were struggling to survive. (MEP9)

One MEP puts the issue of sooty particles/particulate matter into perspective, stating that only 19% of these are caused by the automotive industry\footnote{This figure is confirmed by data from the European Environment Agency (EEA 2010).} and therefore the industry should not always have to “take the blame” (MEP2). At the same time, the industry is observed to over-estimate or exaggerate costs, e.g. in saying that catalytic converters cost €1000 when in practice it is €100 (MEP10) – which re-iterates the theme of the industry “crying wolf” (see above).
The Civil Society side

The civil society respondents who discussed pollutant emissions largely confirm what is said above with respect to two themes. One is the theme of the car industry “crying wolf” and then introducing technology even before it is required (NGO1-B). In this respect the industry showed a unified voice in stressing that the AOP was “overachieving the target” and that the Euro 5 standards were “too tough” (NGO1-B). At the same time, different parts of the industry seem to contribute completely contradictory messages into the same political process:

I think that is one of the problems the industry had actually when it was dealing with the authorities in the Auto-Oil context; it was being asked to speak with one voice when it really didn’t have one voice.

(NGO1-B)

The other theme that is confirmed by another respondent is the difference between French and German producers with regard to pollutant emissions, where French producers were already producing particulate filters while German producers were more hesitant, leading to different positions in CPAs (NGO2-B, NGO3).

One respondent laments the exception made for off-road vehicles in Euro 5, based on the position of one American company, which is a point that the responsible civil servant also made (Com11) and will be further discussed in section 8.4.2 on individual CPAs.

Summary

Differences in CPAs concerning pollutant emissions occurred across several lines of conflicts within the industry. Firstly, differences between French and German manufacturers, based on their technological interest and strengths led to distinct CPAs and were noted as a key theme by all societal triangle sides. Secondly, manufacturers of smaller cars versus producers of bigger and luxury cars were noted to exhibit distinct CPAs; this was observed by state and market side respondents. Thirdly, related to this, US versus non-US focused manufacturers showed differences in their willingness to accept stricter standards and therefore in their CPAs (based on the differences of standards between the US and the EU), according to state side respondents. Lastly, financially successful versus unsuccessful manufacturers were noted by state side respondents as another distinction in CPAs.

Furthermore, stark differences of interest between car firms and component suppliers (especially catalytic converters) were noted as a theme across all types of market and state side respondents. Linked to the previous research question (RQ4) on how
companies view environmental regulations this key theme was noticeable with regard to pollutant emissions: the industry was viewed again as “crying wolf” by state and civil society respondents, and even by market side interviewees.

8.3.2 Area 2: CO2 Emissions

(...)

For the sector the top three priorities are CO2, CO2, CO2. (JP2-A)

As these two quotes demonstrate, the climate change agenda and thus CO2 emissions have become the number one environmental issue for many stakeholders (AA1-A, AA3, JP2-A). After the end of the data collection for this research (2007) a Commission proposal was negotiated between the European institutions; the directive was passed by the Parliament and Council in April 2009 which is a follow-up to the VA from the late 1990s (European Commission 2007, see also section 3.2.3). As highlighted in chapter 6 (6.4 Data Collection) the CO2 issue was politically heavily debated during the time of data collection and therefore highly sensitive:

(...)

CO2, I can’t say anything regarding CO2. (AA2)

As a response, two more regulatory areas (pollutant emissions and ELVs) were included in this research, as explained in chapter 6.

The Market side

Firstly, automotive companies are discussed. Related to the previous section, several respondents point out the key theme of contradictory requirements regarding CO2 and pollutant emissions (EU1-A, EU2-A, EU6-A, JP2-A), as well as regarding CO2 and ELVs (EU2-A, EU6-A), which are discussed in the following section (8.3.3). As with pollutant emissions, a rift between German and French manufacturers is stated, where different emphases lead to differences in CPAs (EU4-A, US1-B, JP2-A), and even to CPAs at the highest level by the German Chancellor Merkel for the German car industry (EU4-A). Such differences in CPAs depend on the structure, product range and mix of motorisation (e.g. diesel, hybrid, flexi fuel, bio ethanol) as one respondent points out (US1-A). In this respect, a difference between the manufacturers of small and large cars is highlighted again, where producers of bigger, heavier vehicles find it more difficult to meet CO2 requirements than producers of smaller cars (EU2-A, EU4-A, US1-A, JP2-A):
(...) you have problem spots. For example finding a common denominator between manufacturers of smaller vehicles and manufacturers that are rather in the premium or upper segment. This is now evident with CO2. (EU2-A)

This difference in the model mix leads to differences in firms’ abilities to reach targets, and therefore to differences in argumentation and in CPAs (US1-A). Companies that are being differentiated in this respect are EU7, for whom it is difficult to meet standards and EU3, EU4 and EU6, whose model range is very different from EU7 (EU4-A, US1-A). Related to this, the difference between premium, upper cars and smaller vehicles is underlined (EU2-A, see quote above). These differences make it difficult for the industry to reach a common position (EU4-A, US1-B). It is, however, stressed that, while individual manufacturers might have different starting positions (EU6-A) due to “technical cost discrepancies” and product ranges (EU5-B), the industry as a whole does have a unified position (EU4-A, EU5-B, EU6-A). Similarly, one respondent points out a development over time where the industry was “divided in the beginning”, and united later on (EU4-A). Whilst this consensus was with regard to preferring a VA over a legislative approach before the end of the VA (EU1-B), at a later point in time this united view was with regard to key industry issues such as lower penalties and a phase-in of standards (EU4-A, EU5-B). As with pollutant emissions, differences between the US and the EU are highlighted (EU2-B, EU4-A) – in this respect, standards are stricter in the EU, contrary to pollutant emissions which are more strictly regulated in the US (see above).

**Automotive associations** stress CO2 emissions as the number one environmental issue, which is a “very serious” issue with a “negative impact” on the automotive industry (AA3). On CO2 “it is absolutely key and very important that ACEA speaks with one voice” (AA1-C) which is not only a local issue, but a global issue, as one respondent emphasises (AA1-D). In this respect, the same respondent also highlights that manufacturers with a global product range find it more difficult to comply with standards than manufacturers who concentrate on the European market (AA1-D). He also relates these differences in CPAs to the manufacturers of small cars for whom it is easier to meet stricter CO2 requirements and to the aforementioned rift between German and French manufacturers – for the latter it is easier to comply with more stringent CO2 requirements (AA1-D). As with respondents from companies, the trade-off between CO2 and pollutant emissions is emphasised (AA1-C, AA1-D):

You can’t have low CO2 without affecting pollutant emissions. (AA1-C)
Responses from related industries also confirm this theme of trade-offs and contradictory requirements (Rel12), e.g. between CO2 and ELVs (Rel5). CO2 emissions are emphasised as the key topic for the car industry (Rel6). Again, the car industry is observed to “cry wolf”; it is, however, acknowledged that for CO2, its cries are justified as it is a real concern, and therefore it is hard for the industry to be believed due to its damaged credibility from past issues (Rel8, Rel12). The CO2 issue is highlighted as an area where there is no unanimity in the automotive industry leading to a lowest common denominator position taken by ACEA on the subject (Rel8, Rel11), and to individual companies lobbying against each other and ACEA (Rel7). This disunity shows itself in the rift between German and French manufacturers (Rel7, Rel8, Rel10, Rel11, Rel12), which confirms the above responses from the car industry. These differences in CPAs are due to the product range: German manufacturers produce high CO2-emitting vehicles (Rel7) with modern diesel technologies (Rel8) whereas the French produce smaller cars (Rel7, Rel12) with technological standards that are “not as high” (Rel8). The Italian manufacturer is grouped together with the French producers in this respect (Rel8, Rel10, Rel12). One respondent provides the following account of the rift between German and French manufacturers on the CO2 issue:

ACEA has traditionally been dominated by the French perspective. The best example is the whole issue of CO2, the 140g/km target. When the issue began, the discussions went on for 3 years inside ACEA, the Germans had already committed within a Voluntary Agreement in the German market to reduce it by 25%, which is fairly easy for a manufacturer like Mercedes, e.g. 250g/km then 25%, but they would never reach 140. The French and the Italians, however, produce smaller cars and with diesel it’s not that far to go. So the French and Italians will make it, ACEA will not. So the Germans proposed 25% and the French g/km. Who won? The French won! (...) Now the Commission announced 120g or 130g (plus additional measures). Who wins again? The French. (Rel12)

These differences of interest are even defended through highest-level CPAs by the German Chancellor Merkel as three respondents claim (Rel10, Rel11, Rel12). Merkel had to disagree with the French position on uniform limits, thus standing up for the German car industry (Rel12). The CO2 issue is “uncomfortable” for the German automotive industry (Rel13) which has complained about it (Rel13) and which has had internal disputes over CO2 (Rel10). One respondent, however, puts the issue into perspective: while 12% of emissions are from the automotive industry, 90% of the discussion focuses on it (Rel14).
Unlike for pollutant emissions, there do not seem to be conflicts of interest between suppliers and OEMs in the context of CO2, which can be explained through the potential ability of related industries to help the car industry achieve lower CO2 values in various ways and through various materials (Rel1, Rel2, Rel6, Rel8, Rel11).

The State side – The EU

One Commission respondent also puts the CO2 debate in perspective, stating that it is an international discussion (confirming AA1-D above), and that the EU is responsible for “only 14% of global CO2 emissions” (Com10). In this respect, differences in the CO2 regulatory system between the EU and the US are again pointed out (Com9, Com11). Within the EU – as for the market side and as for pollutant emissions – the rift and differences between German and French manufacturers are highlighted as a key theme. While one respondent urges the industry to avoid a German-French or German-French/Italian “warfare” on CO2 (Com10), two respondents link these differences in CPAs to the product portfolio of German manufacturers with larger cars169 and of Latin manufacturers with rather smaller cars on average for whom it is easier to meet absolute targets (Com3, Com8):

Here the members of the automobile association have very, very different interests, which are a result of their different positioning on the market (the bigger, the more CO2). The German producers have big fat vehicles on the market, whereas the French and Italian manufacturers have rather smaller ones (not exclusively, [EU6] is manufacturing [EU6-sub1s] in [A]), but on average they have much smaller vehicles there. There the interest of the German producers is contrary to the one of the French and Italian producers. What we received from the association was first of all a universal rejection without substance, that is damaging the association; if it is only saying no, then this position is not meant seriously, is not taken seriously. (Com3)

Another respondent confirms this, anticipating differences in terms of lobbying based on firms’ products in the market (Com2). Due to different market positioning and therefore very different interests (Com3, Com5), there is no unity within ACEA (Com3), making it difficult to get a “unified picture” from the industry on CO2 (Com5) and leading to the confrontational approach of ACEA (Com10). Echoing responses from related industries, CPAs at the highest level in relation to member state governments are observed (Com8) and the German automotive industry is

169 One respondent also puts the Swedish manufacturers alongside the German producers in this respect (Com8).
highlighted as having problems with its communications on CO2 (Com10): the president of the German automotive association VDA resigned from his position in the midst of data collection, leaving unanswered questions regarding problems “in its positioning, in its presentation, in its communication” to highlight the industry’s achievements in this area (Com10\textsuperscript{170}).

The German car industry is also highlighted among respondents from the European Parliament with respect to CO2. This industry is successful in the big car segment (MEP13), but made the following mistake, according to one interviewee:

> When the discussion came up here, that the voluntary agreement is not going to be met and that we [the policy-makers, SMW] will reply with a law, then the German industry stepped exactly into this evil trap because it put itself in the sulking corner and said, OK, if a regulation is coming, then you will have to be prepared that this will cost a couple of 10,000 jobs. And then you need to be careful, that you don’t lead a discussion ‘economy against environment’, ‘environment against economy’. (MEP13)

In the lead-up to the VA it became apparent that it was in the interest of the German industry that manufacturers of rather small cars also contribute to CO2 reductions (MEP7) which meant that there were “fierce debates how the burdens of reducing CO2” were to be allocated (MEP7). These debates (“massive internal fights”) about respective contributions were and are between producers of large-volume and small-volume cars (MEP7) and therefore between German and French manufacturers (MEP6, MEP8). The latter traditionally depend upon the sale of compact cars, for which reaching an absolute target of 130g/km is more feasible. This means that a “German-French competition” is carried out on a political level (MEP13). CPAs are consequently different as interests in this respect are “diverging massively” which leads to an industry association that is paralysed, is working on a lowest common denominator basis, or is blocking any legislative initiative to address CO2 emissions (MEP8, MEP6, MEP10).

Interestingly, one MEP does not perceive the differences between manufacturers of larger and of smaller cars in terms of their CPAs (MEP3). Echoing some of the market side responses with regard to contradictory requirements, one MEP points out that the whole life cycle of production and use needs to be addressed in terms of CO2 (MEP8).

\textsuperscript{170} The president’s resignation and failure to point out the industry’s achievement is also confirmed by a market side respondent (EU2-A).
The Civil Society side

Responses from the civil society side very much focus around the differences between German and Latin manufacturers and manufacturers of smaller versus larger cars as well, thereby triangulating key themes from market and state side responses. The German industry is again singled out and one respondent warns of a repetition of a perceived “German problem” in Brussels as with other directives (ELVs and Euro norms, NGO4). The German manufacturers produce cars that consume a lot of fuel and are therefore in “great conflict” with Southern European manufacturers of lighter, small vehicles that are close to the CO2 targets (NGO4). Another respondent calls this the “normal game” where, for example, the Latin manufacturers are pursuing their own interests on CO2 (NGO5). Similarly, in the lead up to the VA in the 1990s:

(...) in the early ‘90s you didn’t get anywhere on the CO2 and cars question anyway because each of the member states would be wary of a European wide approach to the problem which would potentially affect their industry, whether it be the Italians worrying about small cars being asked to do too much or the Germans worrying about big cars being asked to do too much. (NGO1-B)

This again confirms that different positions in CPAs are due to different product portfolios, where EU2’s larger cars are contrasted with EU4’s smaller cars (NGO1-A).

Summary

Differences in CPAs concerning CO2 echo some of the differences found for the first area, pollutant emissions. Firstly, there have been massive differences of interests between German and French manufacturers for CO2, more so than for pollutant emissions. This is related to the second difference, the divergence of interests for manufacturers of smaller cars versus manufacturers of larger cars. Both of these differences were pointed out by respondents from all three triangle sides. While differences between the US and the EU were confirmed for pollutant emissions with regard to companies’ product range on both markets and therefore for CPAs as well as stricter standards in the US than in the EU, this difference is reversed for CO2 where the EU has a more stringent level of standards. In all this, the difficulties of finding unity within the association and therefore divergent CPAs based on product portfolios were observed. Furthermore, contradictory requirements between CO2 and Euro norms but also ELVs were mentioned, leading respondents to call for a more holistic and integrated approach to policy-making for the industry – a point that will be taken up by the recommendations in the final chapter.
8.3.3 Area 3: End-of-life Vehicles

The ELV directive addresses the issue of scrap cars in two ways: through free take-back of ELVs for consumers and through a ban on dangerous substances.

The Market side

Taking up the last point of the previous section, contradictory requirements between CO2 and ELV are highlighted by respondents from automotive companies (EU1-A, EU2-A, EU6-A, JP1-A) who also point out the ELV directive as highly political (EU2-A, EU3-B):

The ELV directive is very political. (EU3-A)

One reason for the politicised nature of the directive is that the industry was not well organised and therefore “missed opportunities in influence on the right way of law in the future”, being ineffective in stating what the legislation would mean for them (US2-A). The industry was not well positioned and came into the discussion late (EU3-B), which is attributed by one respondent to the industry lobbyists having “left for their Christmas holiday already”, before a relevant Council meeting (EU2-A). They therefore had to pull the emergency brake on the legislation through lobbying (EU2-A) – “fire fighter lobbying” as one respondent puts it (EU3-B). The issue of contention comprised the retrospective introduction of free take-back duties (EU2-A) which was not an environmental topic, but constituted a financial problem and cost risk for the industry (EU3-B). Although this particularly affected the German car industry due to German accounting laws (accruals) (EU3-B) and which therefore took the lead (JP1-A), even using CPAs at the highest level (EU3-B), it was a problem for the whole European car industry (EU3-B). Furthermore, the ELV debate was an “ideological and unobjective” (EU2-A) debate, e.g. where recycling targets provided by the EP seemed to be based on ideology, leading to conflicts between the industry and the Parliament, according to respondents (EU2-A, EU3-B).

Although the industry’s CPAs helped delay the start of the regulations (EU3-B) – which some consider as “wrong legislation” due to “misfits” (US2-A) – the way the industry lobbied had repercussions for the industry in that its image went down (EU3-B), and it is “regularly accused” of this debate (EU2-A).

While respondents from automotive associations focus on the first two regulatory areas, one interviewee does discuss the area of ELVs, which he views to be very critical for three reasons: the free take-back policy solely at the cost of vehicle
manufacturers, the material recovery rates (recycling targets) and the substances ban, which he describes as

(...) ludicrous and (...) economically completely off the mark of sensible politics and environmentally they are achieving nothing.
(AA2)

He points out differences in position due to the German manufacturers’ producing more valuable and larger cars. Furthermore, he emphasises that the German government takes European law very seriously, prioritising it over the interests of industry, unlike the French and Italian governments (AA2).

Similar critical points are raised by respondents from related industries – the lead ban and recycling targets are criticised (Rel1) and the industry is “not happy” with this “badly written” directive (Rel3). While the goal and direction of the directive is accepted by everyone, there are outstanding questions of speed, costs and disadvantages (Rel14, Rel1). Tensions and differences in CPAs are pointed out by related industries on different levels. There are differences between related industries in terms of support for or opposition to reducing dangerous substances due to differences in being affected (Rel1). This tension within related industries extends to the definition of recycling (broad or narrow) (Rel6), which also amounts to differences between related industries and the automotive industry (Rel6, Rel9). These differences can also be seen regarding recycling targets and quotas (Rel2). At the same time, as with CO2, some related industries can support the car industry in achieving these targets (Rel1A). The highly political nature of the debate is confirmed (Rel8): this was a big topic for the automotive industry for two to three years, especially for the German car industry (Rel1) which is also emphasised as the dominant actor for ELVs (Rel5, Rel6, Rel9) while other manufacturers hardly played a role (Rel6, Rel9). There are also different interests within the automotive industry between premium class manufacturers and producers of middle and small cars (Rel1) or “cheap and cheerful” cars as one respondent puts it (Rel5): the high-end marques, such as EU1, EU2 or EU7 (Rel1), rarely have their products end up as scrap cars and are therefore less concerned about free take-back duties than producers of smaller car (Rel5). The concern of the German industry – which opposed take-back except for its high-end companies (Rel5) – led to CPAs at the highest level through the German Chancellor Schröder (Rel5) and to the German industry’s confrontation with suppliers (Rel9). Respondent Rel5 also observes differences between member states and the type of cars people drive (“North versus South Europe”), thus possibly driving different CPAs, as well as a difference between
the association (“aggressive and dishonest”) and the manufacturers (“reasonable”) with regard to the ELV directive.

Echoing automotive respondents, conflicting requirements between CO2 and ELV are again noted (Rel5, Rel14).

**The State side – The EU**

All *Commission* interviewees that discussed the ELV debate remark upon the CPAs conducted at the highest level through EU3’s CEO and the German Chancellor Schröder (Com6, Com7, Com13) which aimed to “kill the project” (Com7). The German industry was very reluctant to support the legislation (Com6) and went to great lengths to obstruct the regulation (Com7), especially EU3 (Com7, Com13). The European association also resisted the legislation (Com7). Other firms seem to have been more cooperative but were always afraid of being called off by the association. (Com7)

As examples of “very good contact”, the Scandinavian companies are emphasised, as well as EU6 (Com6). This situation led to contradictory messages between the association and individual manufacturers (Com6). Overall, the influence of the automotive industry in the ELV discussions showed how strong the industry is, according to the respondent who had worked for the Commission, the Parliament, and the Council (Com13).

Among respondents from the *European Parliament*, one MEP, who was elected after the ELV debate, points out later problems with the implementation due to a “badly written directive” by the Commission, although the objective is broadly accepted (MEP3), thus echoing Rel3. CPAs on the highest level through EU3 and the German Chancellor Schröder are again confirmed (MEP4, MEP7) as is the late awakening of the industry (MEP4, MEP7) which made it difficult to lobby (MEP7). In this respect, one respondent notes that the automotive industry was still “in its infancy” during the debate with regard to the EP and it was therefore “one of the best learning processes for the industry” regarding the EP and CPAs (MEP4). There were “serious differences” between manufacturers based on the product portfolio (MEP4) and different weightings of particular interests, leading to different activities and some manufacturers “banging the drum about it” (MEP7). Brands such as EU7 and EU2 do not turn into scrap cars and may get exported instead, which meant that EU1 and EU3 were responsible for CPAs among German manufacturers (MEP4). Particularly EU3 faced a major cost risk of financing the disposal with retrospective free take-
back policies, which would put them at a “considerable competitive disadvantage” due to having the greatest stock of vehicles on the roads compared to JP2 with very few (MEP7). Different recycling and recovery structures with fewer costs for manufacturers also led to differences in CPAs (MEP7).

The German industry is therefore again highlighted as the most active in the debate, with other (European) manufacturers hardly active (MEP4, MEP7). The previously mentioned repercussions of the industry’s CPAs are confirmed: for a long time a “stigma” stuck that the industry is “coming with a bulldozer” (MEP7) so that this respondent found CPAs “rather burdensome” in this case (MEP7).

### The Civil Society side

The repercussions mentioned by state and market respondents are confirmed by civil society respondents where the industry’s CPAs received media attention and the industry did not make a good name for itself:

… it broke a lot of diplomatic crockery. (NGO3)

CPAs by the industry are described as “aggressive” (NGO3) and, again, the German industry is singled out in the ELV debate, as being “extremely negative” in negotiations (NGO2-B). It was through the German Chancellor that “famous” CPAs occurred on the highest level, after political agreement had been reached in the Council (NGO3, NGO2-B, NGO4), to “prevent the worst” (NGO4). The car industry is referred to as a “very powerful lobby” which blocked plans for a long time (NGO3) and then “woke up very late”, trying to “pull out all available stops” (NGO4). In this respect the car industry was “isolated” and had no allies in other sectors, such as recyclers or plastics firms who also engaged in CPAs during the ELV debate (NGO3).

### Summary

Unlike areas 1 and 2, differences in CPAs concerning the ELV debate did not occur across Germany and France or across the EU and the US, but seem to have been mainly within Europe and within Germany where high-end producers such EU2 and EU7 were not concerned about free take-back policies while producers of smaller cars, such as EU3, with the largest stock of vehicles on EU roads, faced a major cost threat. Its use of highest-level CPAs through EU3’s CEO and the German Chancellor were remarked on by all sides of the societal triangle and were widely reported in the
media at the time\textsuperscript{171}. Indeed, the German industry was seen as the most active while the other European producers were hardly observed, and neither were American and Japanese producers. Some CPAs of related industries were observed, more than for the other two areas, but at the same time the strength and power of the car industry’s CPAs were highlighted which led to repercussions for the industry and was emphasised by all sides of the triangle, even car companies themselves. Appendix B illustrates the complexity of the ELV debate visually.

8.3.4 Interim Conclusion

Across the three investigated areas, several key themes emerged in the responses. Looking at all three areas in perspective, trade-offs and contradictory requirements were highlighted as a key theme, with CO2 in between Euro norms and ELVs – lower pollutant emissions lead to higher CO2 emissions, while lighter cars and therefore lower CO2 emissions lead to less recyclable cars. In terms of pollutant and CO2 emissions, different standards were reported between the EU and the US with the EU having stricter norms on CO2 and the US more stringent regulations for pollutant emissions. Such differences affected individual companies’ CPAs in these areas, distinguishing manufacturers heavily rooted in the EU from producers that have a strong foothold in the US in addition to the EU. This key theme in response to RQ5 also affected the distinction between producers of smaller cars and producers of larger or higher-end marques as another key theme. While mass manufacturers of smaller cars were heavily affected by the Euro norms and the ELV directive, it is larger and luxury vehicle producers that are more affected by CO2 legislative measures.

These product range-driven differences rendered all three regulatory areas highly political in the policy-making process as emphasised by all three societal triangle sides. This politicised nature led to CPAs on the highest level, particularly for CO2 and ELV where German Chancellors advocated for the industry. While the German industry was particularly highlighted as being vocal and aggressive in the ELV debate, differences between the German manufacturers and the French manufacturers – both industries highly active in Brussels – were underlined for both CO2 and pollutant emissions, based on differing product ranges. It has therefore become clear through the discussion that corporate product portfolios have been a

\textsuperscript{171} See for example Automotive News, European Voice, ENDS, FT, Welt, and Spiegel.
driving force for individual CPAs and hence for tensions and differences between companies’ CPAs in all three regulatory areas.

The highly politicised nature of CPAs in the three areas also led to repercussions affecting the image and reputation of the industry for subsequent CPAs – it is still regularly criticised for its lobbying behaviour during the Euro norms and ELV debates. These repercussions relate to the findings of the previous chapter regarding reputation and social capital as important resources in CPAs, which seem to have been neglected in the three investigated areas.

As could be seen from all three areas, there are differences in CPAs between manufacturers and between countries of origin of manufacturers. These will therefore be investigated in the second part of RQ5 (How do CPAs differ between MNEs from the Triad regions?), which will shed more light on these differences.

8.4 RQ5: CPAs across Individual MNEs and Triad Regions

As automotive CPAs provide a unique situation in that MNEs from all Triad Regions have representative offices in Brussels, the differences of CPAs between MNEs from the Triad regions are investigated in the second part of RQ5 (IVQs 6 & 7):

➢ RQ5: How and why do CPAs differ – between MNEs from the Triad regions?

This part of the chapter discusses each case company and their respective country of origin and Triad region, starting with the European companies (EU1 to EU6), followed by the American companies (US1 and US2) and the Japanese companies (JP1 to JP3). As with the previous discussions, this is done in a triangulating manner, investigating CPAs from the perspective of the market, the state and the civil society side.

8.4.1 Europe: Six Cases – EU1 to EU6

EU1 – The great event organiser

*Market side* responses are discussed first for EU1 which set up its Brussels office in 1990/1991, linked to the Treaty of Maastricht (EU1-A). The internal organisation of its CPAs is dual: association work reports to Corporate Planning while individual CPAs are channelled through Communication and Policy (see Table 7.2, EU1-A, EU3-B). Apart from Brussels, it has offices for CPAs at headquarters, in Berlin, Washington,
D.C., and Beijing (EU1-A). Compared to EU2, EU3 and other offices, EU1 is slimmer and relatively small concerning CPAs\textsuperscript{172} (EU1-A, EU1-B, EU3-A). As a consequence the company flies in experts from headquarters (EU3-A) where the head of the Brussels office is every Monday to coordinate CPAs (EU1-A, EU1-B).

As a producer of high-range cars, EU1 finds it easier than e.g. EU6 to fit diesel particulate filters (EU1-A), and it is very different from e.g. EU5 on environmental issues (EU5-B). CPAs are therefore driven by product portfolios (EU1-A) and product specialism: as EU1 sells expensive, high-range cars, it can “sell technology” and be “more proactive” in CPAs (AA1-B). This also results in different interests for the ELV debate (Rel1). Furthermore, the company sells products world-wide which further influences CPAs (AA1-D).

Despite the apparent ease with which it can meet environmental regulations, EU1 opposed particulate matter limits and is perceived to see environmental regulations as cost factors rather than opportunities for innovation, preferring voluntary agreements (EU1-B).

EU1 has very good regional links to its home federal state, and to the region’s MEPs (EU1-B). EU1’s emphasis on its regional nature could be a unique feature in CPAs, as one interviewee hypothesises (EU1-B). Regarding the EP,

\((…)\) the summer fete of EU1 is one of the events in Brussels that are pretty hot among Parliamentarians. (EU1-B)

This is confirmed by a state side respondent in the EP who underlines the fete’s ability for the firm to underpin networks and continuity of relationships (MEP7) which were established as major resources in the previous chapter. Similarly, the same MEP also notes EU1’s “very continuous personnel policy” for CPAs (MEP7).

EU1’s product portfolio of premium cars is confirmed as making “life easier for EU1 than for EU6” and driving differences in CPAs (Com9, Com11). The firm’s global position with “very important business in the US” (where pollutant emissions standards are more stringent) consequently influences its CPAs (MEP3, Com11). It was therefore only “occasionally” seen during the Auto-Oil Programme discussions and subsequent Euro norms (Com4). For the ELV debate EU1 is noted as “active”, and “very good cooperation” was experienced (MEP4). One MEP observes that the

\textsuperscript{172} As opposed to EU2 and EU3, EU1 is also perceived as more of “a follower, politically” in Germany (EU3-B).
EU1 office in Brussels is “always interested in showing that they have nothing to hide” (MEP13). One former MEP recalls a conversation with the president of EU1: his firm’s cars were not made to drive inside Berlin or its headquarters city (i.e. urban traffic) but made to drive from Berlin to its headquarters city (i.e. long-distance traffic), a city for which his company helped to design its public transport system\textsuperscript{173} (MEP9).

EU1’s strong political links to its home federal state and the regional party are confirmed by a civil society side respondent (NGO3). Furthermore, its ability to organise big events in its CPAs are noted again (NGO1-B); therefore EU1’s recreational skills (see previous chapter) are confirmed by all triangle sides. EU1’s rather negative attitude to environmental regulations (see EU1-B above) is confirmed by respondent NGO1-B who even calls the firm “the worst of the bunch” in terms of its “willingness to budge”, as it argues such regulations are impossible to follow and will put firms out of business (NGO1-B).

\textbf{EU2 – Brussels superstar and the industry’s pope}

As already indicated above, EU2 has one of the larger representative offices in Brussels with financial abilities, as market side responses confirm (EU4-A, AA1-E). It opened its office in Brussels in 1989, and its External Affairs and Public Policy function has other offices in its headquarters, Washington, D.C., Berlin and Beijing (EU2-A), like EU1. The head of office describes the approach as proactive, the communication as “hierarchy-free”, and the office’s strength as being multicultural in structure and having a good reputation (EU2-A).

Unlike EU1, EU2 does not organise events in its CPAs – the head of office sees no point in having a “big cocktail party every year with circus performance” as people have known the EU2 office for a long time (EU2-A) which is recognised in Brussels, e.g. through surveys as the best office or its head of office as the “7\textsuperscript{th} most important German in Brussels” (EU2-A). The role of the head is confirmed by other market side respondents: he is “an exception” and “great strength” which can simply not be replaced (AA1-A), “he’s legendary here” (Rel12), and “he’s the father of all of us, we call him the ‘pope’” (Rel11), due to his long experience in CPAs in Brussels. The office is therefore politically influential (EU3-B). As he has been in Brussels for a long time, and has therefore built up many good contacts, he has the “possibility to

\textsuperscript{173} The CEO thus expected drivers to use public transport once they had arrived at a city (MEP9).
sometimes push certain positions” (EU2-A). People from the EP and the Commission come to him because of his long experience (EU2-A). When recruiting, he looks for people from the company as he has the network in Brussels which he can pass on (EU2-A). Although EU2’s office is big, it is the contacts that matter, not only the size, another respondent emphasises (AA1-E).

In terms of the three regulatory areas, EU2 itself acknowledges that as a manufacturer of bigger, heavier vehicles which cause more CO2, it is interested in not getting the same limit values as manufacturers of small vehicles (EU2-A). It is therefore very different from EU5 in CPAs on environmental issues (EU5-B). This product range-driven difference in interest is also the case for ELVs (Rel1) for which EU2’s cars do not have a problem, thus influencing CPAs (Rel5). For pollutant emissions, EU2 introduced a Euro 6 compliant engine in 2007 for 2008 – 6 years ahead of the norms coming into force and “just a few months after ACEA had said it is impossible in the near future” (Rel7). This could be due to its strong position on the US market, and one interviewee indeed underlines that EU2’s CPAs are influenced by its position of selling products world-wide (AA1-D).

Two respondents note the role of the former Economic Minister in EU2’s home federal state as EU2’s main lobbyist in Germany (US1-A, US2-B) who was also acting head of the global External Affairs and Public Policy function before he left the company (EU2’s corporate website, press release, 08.05.2005). The close political links to the governing party in said federal state are also noted by the only civil society respondent commenting on EU2 (NGO3).

Respondents from the state side confirm the observations of the market side. As EU2 is at the premium end of the market with important business in the US (Com11, MEP3), it has fewer problems with European pollutant emissions standards (Com11), and one of the standards for one of the later Euro norms is indeed due to EU2’s CPAs (Com11). Its product portfolio also means that it was “relatively little” engaged in CPAs for ELVs as their products “simply do not turn into scrap” (MEP4). EU2 is observed to look into environmental protection and cars thoroughly, using publications in its CPAs (MEP8).

EU2 has had an office in Brussels “for a very long time” (Com8) and indeed, it made the first step to open up an individual corporate office in Brussels in addition to the association (MEP7), and therefore seems to be the company that is “most rooted” in its CPAs (MEP7) and among the “more visible ones” (Com11). As its head of office has been in his position for over 15 years, EU2 has a stable network (MEP7) and is
perceived to organise its work “continuously and very competently” (MEP7). Two further MEPs underline the sense of continuity they have experienced with EU2 (MEP3, MEP6) – continuity was established as an important political resource in the previous chapter. The head of EU2’s office is indeed “greatly appreciated”, a “respectable” person and a personality “here in Brussels”, due to whom the office “enjoys an extraordinary reputation” (MEP8).

**EU3 – Bulldozer or bigheaded market leader?**

As EU2, EU3 has one of the larger offices in Brussels, and is therefore present at every meeting as market side responses confirm (EU1-A, AA1-E). It enlarged its External Relations function and set up its Liaison Office to the EU in Brussels in 1998 (EU3-B); it also has offices in headquarters and Berlin, with representatives in Warsaw and Madrid (EU3-B). It is the market leader in Germany and Europe (EU3-B), and its size and production in many countries is strength as this gives the company access to different people, which is an advantage (AA1-E). In its work, the company does not spend money on big events, but rather engages in factual information activities and technical talks (EU3-B).

EU3 was already observed to have close political links in the discussion on ELVs (8.3.3) and it is further established here that federal Chancellor Schröder played a role for EU3’s CPAs to delay the directive which “upset people at the time” and led to EU3 being described as “difficult in meetings” (Rel5). The Chancellor is perceived to have “belonged to [EU3], practically” (Rel12). Whilst the company itself acknowledges such CPAs on the highest level through its CEO and the Chancellor (EU3-B), it puts this in the context of personal relations – when the Chancellor was still a federal state prime minister “he couldn’t yet know that he would become federal Chancellor one day” (EU3-B). This could be seen as the use of social capital that had been established previously. As it was used late in the process, however, and led to a “type of lobbying” that the firm respondent does not advocate himself, the image of EU3 went down as a result of its lobbying during the ELV debate (EU3-B).

Two further links to politics are noted by automotive respondents: the former head of EU3’s Brussels office assumed a high-level position in the Council (Rel8, Rel12) and EU3’s main lobbyist was formerly secretary of economic affairs in a German federal state (US1-A).

This is confirmed by an MEP on the state side who portrays this figure as a “batsman” who, as a former secretary, cannot seem to accept that MEPs are in
charge of legislation (MEP6). Another MEP pointed this author to an article that refers to said lobbyist as being internally known as the “baseball bat” (Tagesschau 2005, MEP8).

Generally, EU3 is seen among the more visible companies in CPAs (Com11) which organises and sponsors events (MEP8). Yet, again, it is mentioned as engaging in “lots of lobbying” regarding ELVs (MEP4) where it went to “great lengths” to prevent regulation through its CEO’s links with the federal Chancellor (Com13, MEP7), which is a “story generally known” (MEP4). Even the MEP from EU3’s home federal state who worked closely with the company on ELV perceives EU3’s approach to be confrontational and woodcutting/woodcarving-like with no provision of continuity for a long time (MEP7). He suggests that the late CPAs for ELVs were due to communication structures not working smoothly in the firm between various parts of the company, e.g. recycling, finances, and government relations (MEP7). At the same time, this respondent notes that EU3’s particular economic interests need to be kept in mind as they have the greatest stock of scrap cars in the EU (MEP7).

EU3’s style of lobbying is criticised by all (current and former) MEPs with constituencies in the company’s federal state (MEP6, MEP7, MEP8), thus confirming the company’s approach even to sympathetic deputies:

Well, the way [EU3] acted, I wouldn’t call that a successful example of efficient lobbying. (MEP7)

For other legislative areas there is a mixed picture for EU3: it seemed to be absent from the Auto-Oil process (Com4), but in later Euro norms discussions, it pushed ACEA (Com11) as well as the German association on emissions as it had “troubles to keep up with the development of particulate traps” (MEP13).

The only civil society respondent commenting on EU3 confirms the “famous” highest-level CPAs of EU3’s CEO through the German Chancellor and calls it a “gross/crass amalgamation of interest” that EU3’s home federal state has a stake in the company (NGO3). These highest-level CPAs “broke a lot of diplomatic crockery” at the time (NGO3) – which is acknowledged by state and market respondents as well (see above).

**Summary of German manufacturers**

Whilst EU1 was noted as event organiser by all triangle sides, it was also noted for its smaller-sized CPAs function compared to EU2 and EU3 and therefore also as less active in CPAs. Its product portfolio, which drives its CPAs, meant that it is easier for
EU1 than other companies to meet environmental regulations to which it nevertheless carries a critical stance, also in CPAs.

EU2 has a similar product portfolio as EU1, but differed in its visibility on CPAs. Its head of office was highlighted as being exemplary in his network and credibility that he had established over his long experience in Brussels. The various market and state side respondents confirmed his exceptional and positive role in EU2’s CPAs.

EU3, on the other hand, was noted in triangulation for its close links with the German Chancellor and therefore highest-level CPAs for the ELV directive. The type of CPAs used in this respect was seen as critical and not as a successful example of lobbying by respondents.

**EU4 – Tough negotiator resorting to politics?**

The European Relations function of EU4 has its CPAs structured around headquarters (in its home country capital) and around Brussels, with representatives in Germany, Great Britain, Spain, Italy and Slovakia (EU4-A) who mostly have a background in political institutions (EU4-A). As a producer of small cars (EU4-A, AA1-D), the additional costs in meeting environmental regulations is a difficulty and influences CPAs (EU4-A). Other market side respondents confirm cost as a driver for EU4 (EU5-B). Its product portfolio of a smaller range of cars, which is not offered in the US, drives its CPAs (AA1-D). It is one of the largest manufacturers of diesel engines for passenger cars, which impacts on its CPAs (AA1-D), and Euro 5 is highlighted as an issue for which EU4 was “keen” on protecting small diesels (AA1-E). It is perceived as active (EU5-B) and EU4 says itself that having the best emissions figures for CO2 (lowest emissions), makes it easier for the company to be proactive in CPAs (EU4-A).

The company intends to change its CPAs by sponsoring more events than in the past to increase its visibility, especially in Germany (EU4-A). This corresponds to what another respondent observes about the company’s “more European” approach and heavy reliance on the French network in its CPAs (US2-A).

The company describes itself as being “very tough” in negotiations:

> It’s a question of mentality, yes, we are very, very tough. (EU4-A)

This is confirmed by state side respondents, who link EU4’s tough behaviour in CPAs to its president. During the Auto-Oil Programme the then president “upset everybody” by reacting in a “purely emotional way” to the technical facts presented by the Commission in a high-level meeting which ended up being very damaging to
the company as well as to the whole industry (Com4). Due to the company’s struggle to “come up with the technology” with regard to diesel, the industry only acted on lowest common denominator basis (Com4). The current president of EU4 is also very powerful:

When the president of [EU4] whistles, or if something doesn’t suit him, then there are some that react nervously. (MEP8)

Furthermore, EU4 is seen as “a bit inconsistent” as it does not attend every meeting arranged by the Commission (Com11).

The only civil society side respondent to remark on EU4 also emphasises the role of the company’s president during the Auto-Oil Programme:

(...) he [the president] continually said that if catalytic converters were made mandatory the French car industry would be bankrupted. Two weeks after the directive was passed, not entered into force, two weeks after it was passed, [EU4] launched catalytic converter options on all of their models across the whole model range. (NGO1-B)

The respondent therefore questions the credibility of EU4’s CPAs. The company’s use of “tough” negotiation techniques are thus confirmed by all sides of the societal triangle.

EU5 – From national to global CPAs approach?
On the market side, it is observed, that EU5 – like EU4 – has a smaller range of cars and does not offer its products in the US, which influences CPAs (AA1-D). Similarly, cost is a driver of EU5’s CPAs (EU5-B). Its European Affairs/Public Affairs function was increased from a small team to a global function 18 months before the interview and most team members are recruited from within the company (EU5-B). The central team of 15 staff is based in Paris and Brussels, and the company has a global network of 40-45 people (EU5-B). Nevertheless, it has a smaller office in Brussels than the German car manufacturers and therefore works “a lot” with experts from headquarters (EU5-B). It is confirmed, that there is “a lot of interaction” between Paris and Brussels: one interviewee states that she is always between the two, almost every second day (EU5-A).

The company presents itself as “very present, very active” in the association while also stating that “everybody is very, very active”, thus qualifying the first statement (EU5-B). Unlike EU6, it does not attend all the EP sessions in Strasbourg, only selectively (EU-B).
The related industry respondent commenting on EU5 speaks of a “very hard lobbyist from [EU5]” and EU5 as a company who had tried to show a related industry how to do their job regarding ELV recycling, which was not perceived positively (Rel5).

EU5 mentions its cooperation with JP3 and the integration of JP3’s perspective as a unique approach in CPAs (EU5-B). The cooperation is, however, not on a day-to-day basis and rather on selective issues (EU5-A). The link with JP3 is mentioned by other respondents (AA1-D), but seems to be hardly noticeable in CPAs (AA1-E).

This observation is confirmed by the state side respondent from a constituency with JP3 production facilities: he sees EU5 frequently, which has a “big representative office”, but the link with JP3 is not mentioned (MEP5). In terms of the regulatory areas of pollutant emissions, EU5 showed consistent participation during the Auto-Oil Programme as the legislation “would make a difference” to the company (Com4). For the Euro 5 discussions, the company is mentioned as “a bit inconsistent” which is not seen at every meeting, but nevertheless they are viewed as “fairly good participants” (Com11). Another Commission respondent sees EU5’s production facility in Slovenia as explanation behind the intervention of the Slovenian government during Euro 5 (Com3). Two MEPs also observe strong backing for EU5 by the political administration through the part-ownership of the state in EU5 (MEP7, MEP13), and the former CEO even came from a political family (MEP7).

**EU6 – In good shape but hiding?**

The Institutional Relations and Environment function of EU6 has its central office at headquarters, with other offices in Brussels and the home country capital, as well as an institutional relations office in another EU capital (EU6-A). It does a lot of CPAs work with the Parliament (EU6-A) which is confirmed by other market side respondents: EU6 is “much more present” in the Parliament, especially for the plenary sessions in Strasbourg which makes EU6 “very different” from the other manufacturers (EU5-B). This might have to do with the fact that MEPs from its home country hardly speak English so that the company itself has to lobby them rather than go through the association, which is a “problem” for the corporation (US1-B). Nevertheless, it is a strength and “good for the association” that EU6 has “enormously good” contacts in its home country (AA1-E).

Its product portfolio is mentioned repeatedly: it produces smaller cars and is not a global player (AA1-D, Rel12) like the German manufacturers (Rel12). In offering a “down-market” range of vehicles where price is a key factor to selling, EU6 is more
careful with proposals of the Commission that have an impact on costs (AA1-B). For example the fitting of a diesel particulate filter is not as easy to tolerate for EU6 as for EU1 due to its product portfolio which influences its CPAs (EU1-A). For CO2 emissions, EU6 is in a better position than EU7 for CPAs (US1-A); however, although it is “very well” positioned in this respect it acknowledges a need to take the whole sector into account (EU6-A).

EU6 is “rather active” in the association (EU5-B). At the same time, the company itself notes that while it is interactive “when requested”, it is otherwise not proactive in every case, since it does “not want to push anyone to do something” (EU6-A). This influences its CPAs as follows:

We do not want to be seen as being the most visible because it is not our interest to be for people saying ‘bravo’. We have to provide our services to our company. (EU6-A)

It acknowledges its weakness in having difficulties to read through “hundreds and hundreds of documents” which is “not really human” (EU6-A).

It could be such weaknesses in CPAs that lead a state side respondent to observe CPAs by EU6, which might mean entering a grey area: this MEP was invited – in his first meeting with EU6 – to a “mega event” in EU6’s headquarter city (MEP6). He did not accept the invitation but questions “what is ok and what isn’t” in entering such a grey area and calls EU6’s a “very different style” of lobbying from other companies (MEP6).

With regard to the investigated areas of environmental regulations a mixed picture emerges for EU6’s CPAs. During the Auto-Oil Programme EU6 showed some involvement as the legislation would “make a difference” to the company, similarly to EU4 and EU5 (Com11). For the Euro 5 discussions, the responsible civil servant did not have any contact details for the firm (unlike other firms) and observes “we see very little from [EU6]” (Com11). On the other hand, the responsible rapporteur for Euro 5 notes that he has seen EU6 “a few times” (MEP8). For the ELV discussions, one civil servant had “very good contact” with EU6, while the office of the responsible rapporteur in the EP “hardly saw” the firm during that time (MEP4)\(^ {174}\).

One MEP confirms the importance for EU6 to brief MEPs from its home country (MEP3) and another reinforces the significance of product portfolio for EU6’s CPAs: it

\(^ {174}\) It should be pointed out here that the civil servant came from the same country as EU6.
has another segment of the market than EU1 for which life is therefore easier (Com9).

Respondents from the civil society side confirm that EU6 does “very well” in terms of CO2 emissions (NGO1-A) and has a different interest to EU2 in this respect (NGO5). Nevertheless, one respondent emphasises that “EU6 doesn't do anything” and always refers to the association concerning this topic\(^\text{175}\) (NGO1-A). The third civil society respondent confirms the grey area that EU6 might operate in for its CPAs: before a vote on pollutant emissions, the company provided the deputies of one of the EP parties with its cars for a week to drive from Brussels to Strasbourg – a kind of CPAs which “almost goes in the direction of bribery” as the interviewee states (NGO3).

**Summary of Latin manufacturers**
The Latin manufacturers offer similar product ranges, and for all three their product portfolio was seen – in triangulation – as a major driver of CPAs. Nevertheless, they showed differences in their CPAs. EU4 is a visible player in Brussels, and its “tough” negotiation was confirmed by all sides of respondents, but was seen as particularly critical and negative by state and civil society respondents. While some respondents mentioned EU5’s state ownership as an influence in its CPAs, this was not confirmed by its representatives. Its link with JP3 was widely mentioned but seemed not to be that visible in its CPAs which have evolved from a national (or regional) function to a global one. EU6 was seen as less visible than EU4 or EU5 although it is in a very good position regarding CO2 emissions, which was confirmed by all sides of the societal triangle. It seemed to have difficulties in coping with the amount of information from the association, which might have led to some questionable CPAs.

**Reflections on European manufacturers**
As already noted in the discussion of the three regulatory areas and during data collection and analysis, many respondents discussed firms in clusters of country of origin rather than companies individually (e.g. EU5-B, US2-A, AA1-C, Com4, MEP6). Within the European manufacturers, the two clusters observed were on one hand the German manufacturers, and on the other hand the French manufacturers or Latin manufacturers (including the Italian producer). While one respondent emphasises that there is not “THE German car industry” (MEP6), this was a minority opinion – the

\(^\text{175}\) This is confirmed by this author, who, on first attempt, was referred to the association as well, and only on second and persistent attempt secured an interview with EU6.
German manufacturers were often discussed as a group (e.g. EU4-A, Rel3, NGO4), both in positive and negative terms (e.g. Rel9, MEP7). Similarly, the Latin manufacturers were considered as a whole (e.g. AA1-C, Com3, Rel10). To illustrate this further, respondents from both EU4 and EU5 stressed the cooperation between the two companies in their CPAs (EU4-A, EU5-B) and EU6 often acts together with EU4 and EU5 (MEP8, MEP13).

Differences in CPAs for the two clusters were particularly related to the areas of environmental regulations and – related to this – to technology and product portfolios. For both groups, strong relationships between firms and their respective governments were noted (AA1-C, Com3 Com10) – some car manufacturers are “national champions” and can be a source of national pride (US1-B, Rel12). Nevertheless, there seemed to be little or skewed knowledge or understanding of the other side – e.g. French companies saw the German government as supportive to German companies, but did not see the same support from their government (EU4-A, EU5-B, Rel11) and similarly a German automotive respondent saw this in opposite terms (AA2, see also EU3-B, EU4-A). This issue would be interesting to follow up in further research as culture was mentioned frequently as an influence on CPAs (e.g. EU1-B, EU2-A, EU3-B, JP1-A, AA1-D, Com1, MEP7, NGO1-B).

The two Swedish car producers that were also mentioned by interviewees were both owned by American companies at the point of data collection but were observed to be more consensus-oriented and factual in their CPAs, with much weaker links to their government compared to other European manufacturers (AA1-D, MEP13, Rel12).

8.4.2 USA: Two Cases – US1 and US2

US1 – The active one or a finger in every pie?
The Communications and Public Affairs function of US1 has offices in Germany, Brussels, and England, with representatives in Belgium and Spain (US1-B). The office in Brussels represents the complete portfolio of the company (US1-B), coordinating the individual brands (US1-A). This function is separate from Legal, Governmental and Environmental Affairs, which is a historically grown distinction –

\[\text{176 Both subsidiaries were sold to other firms in 2009/2010 (Automotive News).}\]

\[\text{177 There is a separate team in Sweden for its subsidiary US1-sub2 (US1-B).}\]
the two used to be one area (US1-A, EU3-B). The human resources employed in CPAs are mostly from the company (US1-A), only a minority is from politics (US1-B). US1 sees itself as proactive in CPAs, wanting to be a “portal of choice” for politicians and not to belong to a fraction that is reactive and negative (US1-B). It carries out CPAs through an active information policy and through events (US1-A), although the latter have had to be cut down due to the difficult economic situation the company is in (US1-B). Its company logo and image opens doors in CPAs, as one respondent views it (US1-A).

Other market side respondents confirm that US1 is very active in the association (EU5-B), and that it is “typical culture” of the firm to come forward with many papers (EU2-A). One respondent observes that it might be “easier” for US1 to be proactive as they are less dependent on the European market (EU4-A). Being a globally active corporation is an advantage for its CPAs as it can learn from the experience from American colleagues (US1-A) – it is very good at using its internal network, like US2 (US2-A). It is nevertheless relatively independent from its American parent company due to its different product portfolio (US1-B) which features a “European product range” so there is hardly a difference between US1 and the European manufacturers in terms of CPAs (AA1-D). It is “maybe a bit more neutral” in the association than the European producers (EU4-A). In its product range and CPAs, US1 is perceived to be “very German” (EU5-B, Rel6), and during the ELV discussions, its German subsidiary US1-sub1 dominated for US1 (Rel6). For the Euro norms it was perceived as proactive (EU4-A), although the company states that while it agrees with the objectives of environmental regulations, their timing is of importance for US1 as there are enormous costs involved to equip one of its smaller cars with particulate or NOx filters (US1-B).

State side respondents confirm that US1 was proactive for Euro 5 for economic reasons: as it had financial difficulties it tried to get an exemption for its US1-sub3 SUVs with which it “makes a lot of money” (MEP13, Com11). US1 was also involved in the Auto-Oil Programme (Com4), and during the negotiation of the CO2 VA it was the coordinator for ACEA in dealing with the Commission – it was the “first point of contact” and “the one firm that became really active” (Com8, see also Keay-Bright 2000). In general, US1’s proactive and visible CPAs are also confirmed: it is “fairly

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178 This was also confirmed through personal correspondence with a former US1 employee who referred the author to a US1 colleague who unfortunately had to cancel a scheduled interview without re-scheduling.
visible, always in meetings” (Com11), “active” (MEP5) and “well-resourced” (MEP9\textsuperscript{179}). Another MEP states to have experienced continuity with US1 (MEP6).

While the market side observed US1’s German connection, one MEP notes the British connection of the firm, which influences its CPAs (MEP7). US1’s independence from its US parent is stressed by state side interviewees (Com11, Com4, MEP9). At the same, its “very important business” in the US is highlighted which means that the company has to keep a global picture in mind for CPAs (MEP3).

From the civil society side, it is confirmed that US1 uses events in its CPAs and tries to use its image (NGO1-B, thus confirming US1-A). It tries to be progressive (NGO1-B) and is indeed perceived as proactive and concerned in relation to climate change (NGO1-A). It is seen as different from US2 in that it is “more European” than US2 (NGO1-B).

**US2 – the relaxed one/the more American one?**

US2 is indeed perceived to be more American as one market side respondent confirms, who remarks on the company’s “very specific” cultural public affairs attitude, which is “very American” and therefore different from the other companies present in Brussels (EU5-B). The company itself states it might have a “more informal” style in CPAs as an American company, and that the idea of having a public policy function originates from the USA where it is more dominant and central than in Europe (US2-A). Generally, it is a growing function (US2-A). US2’s Public Policy function is linked to the legal function and had a connection with communication in the past. This has grown historically and the function has offices at its American headquarters, in Washington, D.C., Brussels, Berlin and its regional headquarters as well as in countries with important production, such as England, Hungary, Poland, Sweden and Spain (US2-A). The office in Brussels (International Regulations Europe) was opened in the mid-1990s and the different brands coordinate the work (US2-B) – in using its internal network it is “one of the leaders” as it is better integrated and uses the network to share information (US2-A). Although it is perceived as American in its CPAs (EU5-B) and “not really European” (US2-A) it seems to be able to “neutralise the disadvantage of not being European” by doing a good job (US2-A). Nevertheless, a big difference is not noted as it has a European product range in Europe (AA1-D) which is very different from its US portfolio (US2-B).

\textsuperscript{179} This respondent left the EP before US1 experienced financial difficulties.
Although EU5-B states that US2 is very active in the association, it also states that everybody is active in the association, thus leaving questions open regarding US2’s CPAs. For one other respondent, US2 is perhaps “a bit more neutral” in the association (EU4-A)

While one of the MEPs on the state side also notes US2 as active in CPAs (MEP5), the civil servant in the Commission dealing with Euro 5 and 6 calls US2 “surprisingly absent” for their size and “very quiet” (Com11).

On the civil society side it is observed that US1 and US2 are different in that US1 is more European (NGO1-B). US2’s PVC exit strategy to eliminate PVC from production in the wake of the ELV directive (incl. material bans) were initiated directly from its American parent, not by its European subsidiary (NGO3).

**Summary and Reflections on American manufacturers**

US1 and US2 differed in the extent to which respondents commented on the two companies – US1 received far more attention than US2 and was seen as more European than the perhaps more American US2. Furthermore, while US1 was also viewed as more active in general as well as proactive concerning environmental regulations by all societal triangle sides, US2 was perceived to be more mixed.

Like the European companies, many respondents preferred to discuss the American companies together rather than individually. US1 and US2 are well organised at the Brussels level (MEP3) and their approach to CPAs was perceived as similar (US2-A) as they seem to be in a similar position “in between”, as mediators in the European association (US1-B). Nevertheless, there is “no special cooperation” between the two companies in CPAs (US1-B, US2-B), despite the same country of origin:

> I think the origin of the parent company doesn’t play a role here in Europe. (US1-B)

This might have to do with the very different product portfolios the companies offer in the US and in Europe, which was widely observed (US1-B, Rel8, Com2, Com9, Com11). The Americans producers are therefore “not American” in Brussels (MEP13) and there is no difference between European and American producers (Com2, Com3, AA1-C) as the latter lobby on the European basis and product range of their companies (AA1-C, AA1-D). US1 and US2 are fully integrated into ACEA (Com12), and viewed as European companies in their CPAs (MEP7) as they have been in Europe long enough (NGO5). Both firms are independent from their American parents (US1-B) and therefore American components of US1 and US2 do
not play a great role (NGO3). Nevertheless, occasionally US anti-trust requirements may influence their CPAs in Europe which one respondent notes\textsuperscript{180} (AA1-D).

One respondent perceived US1 and US2 to be rather German in their CPAs (Rel6):

\begin{quote}
The Americans are more German than real Americans. (Rel6)
\end{quote}

This was confirmed by another respondent who saw “no difference” between German and American producers in CPAs (AA2), while another also noted the use of the British connection of US1 and US2 in the EP (MEP4).

8.4.3 Japan: Three Cases – JP1 to JP3

\textbf{JP1 – The sleeping tech-dog and silent environmental leader}

JP1 received fewest observations by interviewees from all societal triangle sides. \textit{Market side} respondents observe that JP1 is “not a company that interacts” and “more technically driven” (AA1-D). It does not seem to “like” government relations and is very “independent minded” (Rel12) in its CPAs. They have “someone” in England dealing with government relations (Rel12, US1-B), but nobody in Brussels, although they are represented in the Japanese association JAMA there (US1-B).

One interviewee who had worked for the Washington office of his company recalls his US experience of JP1 where the company is not a member of the association (Autoalliance), thus keeping itself aside from the rest of the industry (EU2-B). It is viewed as a green company and presents itself as a high-tech company which does not want to be seen as having an objection to tightening environmental regulations, but which wants to be part of the solution (EU2-B).

The company itself confirms its different approach to CPAs. While its public relations function is located in the UK, it does have a regulatory and certification division in Belgium which is part of the regional head office in London, but the division reports directly to the global head office in Japan (JP1-A). This set-up of a specialised regulatory office and certification office in one is unique in the industry (JP1-A). It is mainly technical people with a technical background that work in the Belgian office, and the focus in CPAs is on technical problems that might occur. Only if there are

\textsuperscript{180} Several interviewees drew attention to differences in regulation and in CPAs between Brussels and Washington, D.C., among them a respondent who had worked in EU2’s CPAs office in the US before coming to Brussels (EU2-B, US1-A, Rel6, Rel7, Com9, Com11, MEP8). These differences in CPAs have also been treated by other authors, though the body of literature is still growing and would provide interesting ground for further research: Loewenberg (2001), Holtbrügge and Berg (2004), McGrath (2005), Richez (2005), and Mahoney (2007).
technical issues and concerns in a legislative proposal will the company contact policy-makers in order to listen to them and to understand a proposal (JP1-A). This was especially the case for the ELV debate where the company was involved on dangerous substances where the Commission re-confirmed the position of European manufacturers with JP1 as it was suspicious of their position. JP1 is responsible for some of the Annex 2 exemptions on hazardous substances (JP1-A). Drawing on the ELV example, the company emphasises that it does not tend to use the public – unlike other manufacturers – but that the people dealing with the legislation in the Commission know JP1 (JP1-A). It is therefore recognised as a “worthtrust and reliable” (sic) as well as a serious player in regulatory work which is a strength of the company (JP1-A). In this respect, it is stated that “if you want to work seriously” there is no major difference between non-European and European manufacturers (JP1-A). Nevertheless, the company is influenced “quite a lot” by the Japanese culture, also in its CPAs, and is a “serious player” in JAMA which relies “a lot” on JP1 (JP1-A).

The company emphasises that it is “quite different” from other firms in its approach to CPAs – its internal rule is to follow the strictest legislative rule in the world and apply it to their global products (JP1-A). As a “very innovative company”, JP1 wants to be number one in environmental performance which it focuses on (JP1-A). One way of using this in its CPAs was the demonstration of the link between regulations and technologies by letting members of the EP and the Commission test-drive JP1’s hybrids in Brussels (JP1-A).

This environmental leadership of JP1 is confirmed on the state side: the company approached MEPs to promote hybrid cars and invited members to test drive a hybrid car (MEP11). The only Commission respondent to remark on JP1 confirms the company’s more silent approach in that “it will occasionally pop up and say something” (Com11).

On the civil society side, it is reinforced that JP1 does not like public affairs/government relations and therefore does not seem to devote resources to it – there is a team of two people in London for all European public affairs (NGO1-A).

**JP2 – Positive role model of environmental leadership or simply good PR?**

Unlike JP1, JP2 was very much commented on in interviews by all triangle sides and is the company most mentioned overall. JP2’s External Affairs function is organised in two groups: government affairs and corporate affairs. Government affairs are dealt
with on two levels – the European level from its regional headquarter in Belgium\textsuperscript{181} and the member states level through its sales companies (JP2-A) where it has some influence (AA1-E). \textit{Market side} respondents emphasise that it is the only Japanese producer with their own office in Brussels and the “only really active one” (US1-B, Rel12); its office is among the bigger ones with stronger resources (EU1-A, EU2-A, EU4-A, EU5-B). It is seen as a “company that interacts” (unlike JP1, AA1-D) and as a fully eligible dialogue partner in Brussels that is very active and strong (AA1-E, EU3-A, US1-B). It is a “major player” in CPAs and the biggest of the Japanese manufacturers in Europe (Rel12, EU2-B), but still belonged to JAMA at the time of the main stage of data collection (EU2-B). It tried to become a member of ACEA several times but was rejected (EU2-B, AA1-C, Rel12). It did eventually manage to become a member in 2007 (Just-Auto, 08.06.2007), and as it is “new to the association”, one respondent argued for the need to “wait and see how they manage” (EU5-B) – as a non-member of ACEA there was a difference in terms of less contact with lobbying colleagues (US1-B). It has become more confident in its CPAs which it operates similarly to European companies now (EU2-A) from which it nevertheless differs as it is successful and not in financial problems, unlike some of its European competitors (JP2-A) at the point of data collection.

Although it is less dependent on the European market, which might influence CPAs (EU4-A), JP2 views itself as a European company as it has many Europeans working for them (JP2-A) and has considerable local autonomy in Europe – there is no direct reporting to the Japanese parent company (JP2-A). Nevertheless, it follows Japanese work practices “to a significant degree” (JP2-A) which it blends with its environment:

They kind of mix the Japanese and the European way of working.

(JP1-A)

The company itself states to use a “softer lobbyist approach” than others and stresses the preference and importance of listening and adapting to requests of stakeholders, which is a (Japanese) process of exchanging views (JP2-A). Japanese JP2 engineers want certainty in terms of dates for legislation (JP2-B). JP2 have a very different product portfolio in Europe compared to the US and may therefore take a regional rather than a global view (Rel8).

\textsuperscript{181} As the regional headquarter is close to Brussels, coordination routes are shorter (EU3-A).
Even if JP2 is “clearly a non-European company”, it has gained much credibility in raising its environmental profile with its hybrid cars (US2-A). It was early out and successful in promoting hybrid cars and showed the lead with it (Rel8, Rel10, Rel12). It is therefore seen to have done a

(…) very good job in marketing itself as a green company. (EU2-B)

This is also confirmed by the company itself: it takes the position on environmental issues very seriously, it has its “own environmental tough standards” and has adopted a position of environmental leadership (JP2-A), which is similar to JP1. Furthermore, it seeks to influence legislation “in such a way” that the company standards become regulatory ones (JP2-A) and states that “yes, we’ve had an impact” (JP2-A). The person who started up JP2’s government affairs in the late 1990s also confirms that he “had the opportunity to be positive” in CPAs and the opportunity “to do things different”, which he liked about the company: if there was a challenge the attitude was “let’s find a way to face it, not to kill it”, according to him (Rel12).

Despite all the praise for its environmental credentials, JP2 is criticised by one of its Japanese competitors: JP2 sometimes seems to use the head of JAMA to talk to the Commission when it is actually a JP2-specific question, which the respondent “does not like” (JP1-A). To him, JP2 seemed “a little bit more aggressive” than JP1 (JP1-A). In Brussels, “JAMA equals JP2”, another respondent confirms (Rel12).

State side respondents largely confirm the key themes of the market side for JP2. It is the biggest company with a large office and very active, proactive and very strong in its CPAs (Com2, MEP1, MEP5, MEP8, MEP10). The person who started JP2’s government affairs offered strong support and the right information at the right time (MEP7). As a result of its approach of unobtrusive lobbying, the firm is perceived to be “much more agreeable” (MEP8). JP2’s application for ACEA membership and subsequent rejection is again mentioned and pointed out as “difficult to understand” as the company employs many people in Europe and produces much (Com3).

JP2’s stance on environmental regulations receives heavy emphasis among both Commission and EP respondents. It is “very good on the technical side” (MEP3) and has “actually been fairly open” about technology, providing the most information (Com11). In terms of emissions, they seem to be

(…) the most open about discussing clean technologies. (Com11)
JP2 took an early decision in terms of marketing to be at the forefront of policy-making to benefit from new regulation (MEP1), realising the importance of environmental topics in the 21st century (MEP13). It is the only company where the name is advertised and associated with environment and sustainability (MEP13) and it used its head start in hybrids to declare its openness for future legislation (Com12). With regard to its hybrid, JP2 has shown the interaction between environmental performance and marketing as it has used the hybrid as a PR tool to promote environmentally friendly systems (MEP1). This has been a very successful PR job (MEP13, MEP5, Com11) and the hybrid car is portrayed as a “wonderful eco symbol” (MEP13). Nevertheless, it is pointed out that JP2 is still “not a great performer” as its hybrid was still sold less than its SUVs at the point of data collection (Com11, MEP5, MEP13).

The key themes of JP2 as an active and strong player in Brussels based on its environmental stance are raised by civil society respondents as well. Its attempt to become an ACEA member is noted again (NGO1-A) and its European headquarter relocation close to Brussels is seen as part of its CPAs (NGO2-A). Although it was more difficult for the company to start in Brussels due to its Japanese culture (NGO5) and was still seen as Japanese (NGO1-A), it is now very present and big (NGO1-A). The company has realised what the policy-making community appreciates and wants, which is reflected in its corporate policy (NGO1-B). It can “play” on how good the image of its hybrid and modern technology development is (NGO4, NGO1-B), and therefore stands out as more positive regarding environmental regulations (NGO5) and even as the “most progressive” (NGO1-B). It takes a “very, very different approach” to CPAs in “stark contrast” to the European manufacturers, particularly the German ones: as ACEA is very negative and discouraging, JP2 can “look so good” and distance itself as a progressive outsider that welcomes the opportunity of progress and challenge (NGO1-B). It has indeed managed to distinguish itself as “THE green car firm” with its hybrid, which is “extremely successful” (NGO2-B).

**JP3 – EU5 takes care of it or who cares?**

JP3 seems to present a special case of CPAs as 44% of the company is owned by EU5 with cross share-holdings of 15%. Although JP3 has a bigger production in Europe, JP1 is the second well-known Japanese company in Europe next to JP2 (JP1-A). At the point of data collection the Legal & External Affairs function of JP3 did not have an office in Brussels and was restructuring its public affairs (JP3-A, EU5-B). Other market side respondents confirm the link of JP3 with EU5 (EU5-A, EU5-B,
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AA1-D, AA1-E, Rel12). While one respondent notes that JP3 “barely have an office here, it’s under the wing of EU5” (Rel12), another one states that one “notices very little” that JP3 is connected to EU5. One EU5 employee recounts that the company tried to cooperate with JP3 at the beginning of their alliance, but states that, as a Japanese company, JP3 worked with Tokyo while EU5 worked with Paris, i.e. their respective headquarters. This, and different “working ethics” (Japanese versus French) meant that cooperation in CPAs was not on a day-to-day basis, but rather from time to time when needs arose (EU5-A). EU5 claims to take JP3 into account in its CPAs, and JP3 employees are regularly in Brussels to exchange information and positions (EU5-B). Nevertheless, lobbying is done separately (EU5-B). EU5 furthermore confirms that JP3 did not have permanent representation or resources in Brussels at the point of data collection (EU5-B), but was planning to reopen its office in Brussels after 1.5-2 years of closure, which might change the cooperation (EU5-B). During restructuring, JP3 had one person “between Paris and Brussels all the time” and one colleague working in London on technical issues (JP3-A). Interestingly, the interviewee who had worked in Washington, D.C., recalls that JP3 was a member of the American automotive Autoalliance until 3 years ago (at the point of data collection), and then dropped out as a member (EU2-B), which raises questions about JP3’s global handling of CPAs.

On the state side, only two MEPs commented on JP3 which “tends to be a bit lower key” because of its “strong relationship” with EU5 according to one of them (MEP3). The other MEP has a JP3 production plant in his constituency and despite being a shadow rapporteur for the biggest EP group for emissions regulations he had “no contact whatsoever” from JP3 in this matter. As local contact is an effective tool in CPAs (MEP5), this MEP recalls his frustration that JP3 were the only company not to contact him “at all”: all other companies have offices and contact him, but JP3 does not (MEP5). While he “sees EU5 a lot”, the JP3 connection is “never” mentioned (MEP5).

On the civil society side, JP3’s “strong identity” as Japanese is highlighted (NGO1-B): despite being owned by EU5 to over 40%, it still has a Japanese work culture and mindset of trying to beat targets, the respondent found when speaking to people in the government affairs or engineering departments (NGO1-B).

**Summary and Reflections on Japanese manufacturers**

The two main players among Japanese car manufacturers are very clearly JP1 and JP2 while JP3 is less visible, also due to its link with EU5. For a long time, Japanese
manufacturers appeared more “discretely” in CPAs, they did not know “how to act here” and often used consultants in the beginning (EU2-A). A development in their interest representation has clearly been seen over time – during the Auto-Oil Programme in the 1990s there was hardly any representation from Japanese industry (Com4, MEP9).

Japanese manufacturers have made great strides environmentally (MEP9, AA3); they promote how green their vehicles and they as companies are and the big Japanese companies have taken the lead in this respect (MEP5). Both JP1 and JP2 are at the forefront of environmental regulations and portray themselves as environmental leaders: this was confirmed by respondents on all three societal triangle sides. In their environmental leadership and subsequent CPAs they show very different approaches, however, in that JP2 is very open, proactive and positive in its interactions with policy-makers, while JP1 takes a more reserved stance and only gets in touch with the institutions if there are actual technical concerns in legislative proposals.

The Japanese association JAMA is indeed dominated by JP1 and JP2 (MEP3), while the other, smaller, Japanese producers are hardly or never seen (Com2, Com11, MEP10, NGO1-A). JP1 and JP2 both have operations in Belgium and brief MEPs regularly (MEP3). Both companies have been perceived positively in that “the guys from JP1 and JP2 were fine” (Rel5) and in that respondents were “glad to hear a different voice”, the example being the message of JP1 and JP2 on hybrids (MEP11).

Although especially JP2 is well rooted in Europe and managed to become a member of ACEA after the data collection, all three companies are still rooted in Japanese ways of working: there is a distinct preference for legislation to be very clear, with no room for interpretation (JP1-A, JP2-B), and a high culture of internal consensus was pointed out for Japanese companies (EU2-A). Language as an issue is important for the Japanese producers (MEP1, AA1-C, AA3). Not only language but also culture is pointed out as an influence for the Japanese producers’ CPAs (EU3-B, MEP8, AA1-C). This is particularly the case for the association, JAMA, which is noted as being more observing and less involved or active (AA1-E, Rel7, Com1, Com12, MEP5), more reactive (AA1-C), and much less present in Brussels than ACEA (Com10, MEP5). It tends to follow ACEA’s lead in CPAs (AA1-C, AA3, Rel7, Rel13). The consultancy, however, that works for JAMA in Brussels points out, that it is less a matter of culture rather than a strategic decision of JAMA to follow ACEA in Brussels (Rel13) and the association itself confirms this as a deliberate decision (AA3).
While Japanese producers were generally perceived to wait “systematically” for instructions from the headquarters (EU5-B), this constituted a further difference in CPAs between JP1 and JP2 reflected in the association – while JP2 seemed to be independent in its European operations, JP1 received instructions from headquarters. This is also the case for JAMA: decisions for Europe are taken in Tokyo (AA3, Rel12, Rel13), which is in stark contrast to European subsidiaries of American parent companies (see above).

Like JP1 and JP2, JAMA is appreciated within the Commission on safety and environment (JP1-A), and the Commission itself is open to JAMA on environment issues (Com10).

An interesting observation is offered by an ACEA employee: according to him, Japanese companies have more possibility to influence European regulatory requirements than European manufacturers have to influence Japanese legislation (AA1-D). Another interviewee pointed out differences between Brussels and Tokyo in this respect and these differences could be an interesting avenue for future research (Rel7, see also Kewley 2002).

8.4.4 Interim Conclusion

This part of the chapter discussed how the 11 individual case companies across the three different Triad regions approach and differ in their CPAs.

The three German firms are very strong in Brussels in their CPAs and rather direct which was seen as both positive and negative by interviewees. While EU1 seems to be less visible, both EU2 and EU3 had larger offices and were very active, however with distinct perceptions: while EU2’s head of office was praised by all three triangle sides, EU3’s approach, especially regarding ELVs, received criticism from all sides.

The three Latin manufacturers have a product portfolio distinct from the German producers, focusing on smaller cars, which is a major driver for their CPAs in which they co-operate. While EU4 was criticised for its tough CPAs through its president and EU6 for its questionable CPAs, EU5 was noted for its cooperation with JP3.

The two American car producers are fully integrated in Europe and independent from their parent companies, and seem to be neutral mediators between the European firms, also with regard to their product portfolio. While US2 seems to be more American, laid back and silent (for its size), US1 is very proactive (also environmentally) and reliably provides position papers.
Among the three investigated Japanese companies, JP3 was noted for its link to EU5 but otherwise non-existent CPAs. Both JP1 and JP2 were noted for their environmental leadership and distinctive Japanese approach as observing and diplomatic with a strong desire for clarity, but showed very different CPAs approaches: while JP1 is rather silent and only comments on legislation when there are technical reasons, JP2 is very positive and active in its communication with policy-makers.

8.5 Revisiting RQ6 in Relation to Environmental Regulations and Individual MNEs

Based on the discussion of the RBV in chapter 4, the previous chapter investigated political resources and competences generally used in CPAs. They included human resources and expertise, financial resources, relational resources, organisational resources, reputation with other non-market actors, public image, support of stakeholders, and recreational skills. In addition, continuity was emphasised as a political resource, which is part of human and relational resources and therefore social capital. This section reflects on the resources and competences that stand out after analysing the three regulatory areas and the individual case companies.

Reputational resources

Both the discussion of the regulatory areas and of the individual case companies underlined the relevance of reputation as an important resource used in CPAs. Credibility is a major resource and the industry has been regularly accused of “crying wolf” regarding environmental regulations, thereby damaging its reputation and credibility (e.g. Rel8, Com11). While EU3 and EU4 stand out as more negative examples in the ELV and Euro norms debate as a result of their CPAs, EU2 is noted by all three sides of the societal triangle for its positive reputation due to its head of office who presents a valuable resource for his company. This also concerns his network (“equal to none”, AA1-E) and continuity, through which EU2 has built up a large amount of social capital, which it uses in its CPAs:

[He] is an exception; you can't simply replace him, that's for sure. (AA1-E)

(...) he is a personality here in Brussels, he is respectable, he debates, but not with a sledgehammer, and that is also the reason why he enjoys such an extraordinary reputation. (MEP8)
JP1 and JP2 have gained a positive reputation for environmental leadership and particularly JP2 has built up a reputation of being proactive concerning environmental issues over a number of years – it has been noted and even praised by all societal triangle sides (e.g. EU3-A, Com11, MEP8, NGO2-B):

It shouldn't just be the manufacturers shouting at policy-makers, they need to listen as well and take on board messages and take that back and do something with it. That is why I say [JP2] have been so good, they have realised what the policy-making community appreciates and wants and gone back and tried to do something about it in terms of their corporate policy, then come back with that to the policy-makers and say, look this is what we are doing, this is what we have defined our goals and objectives as, this is how we are trying to do it and we want to enter a dialogue. (NGO1-B)

Furthermore, also the industry association has a reputation, which suffers when the industry does not speak with one voice. If it lets itself be divided, as was the case for pollutant and CO2 emissions, the unity of companies as a collective resource cannot be used, which damages the association’s credibility.

**Support of Other Stakeholders**

Dahan’s (2005b) stakeholders include other companies within or outside the industry, employees, customers and suppliers, as well as local communities and public authorities. In this chapter, suppliers were found to be both supportive (CO2 emissions) and non-supportive (Euro norms) of the car industry’s CPAs.

Although governments were not necessarily probed in the interviews, local and particularly national (member state) governments were repeatedly and strongly referred to by interviewees concerning the three regulatory areas and the triad regions (e.g. EU4-A, US1-A, AA2, Rel10, Com8, Com10, MEP13, NGO2-B):

For example the CO2, at the start it was very difficult, because on German or French side when the Commission prepare its report on CO2, you know there were some declaration at the very high level, from Madame Merkel, from Mister Sarkozy. (EU4-A)

It has become clear throughout the discussions that the support of their national governments (as opposed to local governments in Dahan 2005b) is an important resource for all European companies in their CPAs. The support of other stakeholders as a resource also includes regional MEPs, i.e. deputies with production locations in their constituencies.
Time
Time was possibly a resource that was missing for car manufacturers during the ELV discussions as they did not recognise the impact of the legislation until very late in the process. Furthermore, although the objectives of environmental regulations are generally agreed upon by firms, they stress the importance of sufficient lead times (e.g. US1-B, Rel9, MEP7). Whereas time was the term used by interviewees, in this respect it could also be seen as the amount of available capacity, a scarce resource.

Technological Resources
Referring back to the RBV on a general level, technological resources are assets within a company that are used to implement certain strategies (Grant 1991, Barney 1991). In this chapter’s discussion it could be clearly seen that product portfolios are driving forces for differences in CPAs (e.g. EU1-A, JP2-A, AA1-E, Rel7, Com11, MEP7, NGO4):

[US1] could be proactive, was proactive for Euro 4, Euro 5, in that case we had problems with our small diesels, for example. On CO2 we were in a position to be proactive. (EU4-A)

There are serious differences, it already starts with the brands or with the products, especially with this directive and that is surely true for other legislative proposals in Europe as well. With ELVs it was the case that an [EU7] and an [EU3] simply will not turn into scrap. (MEP4)

Some are more in favour of legislation on follow up than others. They don’t all think the same. One reason is the product portfolio, which puts them in different positions in terms of average CO2 emissions. (NGO1-A)

If technological resources are seen as the driver for product mix and market positioning, these technological resources drive the content of CPAs as established for all three environmental areas investigated.

Furthermore, insufficient or insufficienly developed technical or technological resources as in the case of the Latin manufacturers drove their resistance against stricter standards for pollutant emissions (e.g. EU4-A, Com4, NGO2-B). Their recourse to the cost argument could be seen as an attempt to hide technological difficulties as technologies relate to confidential business information. In contrast, it was pointed out that the German car industry is technology-driven in its CPAs (EU1-A, EU5-B, Rel8).
Summary
The chapter strengthened the support of stakeholders as a political resource in the form of national governments. This had neither been brought up in the literature – Dahan (2005b) only refers to local authorities – nor in the previous, more general chapter and thus constitutes a different kind of stakeholder support. In terms of reputational resources this chapter demonstrated both their negative impact (see the repercussions of EU3’s and EU4’s CPAs) and their positive impact (e.g. EU2 and JP2). Furthermore, environmental leadership as demonstrated by JP2 and also JP1 is a valuable and rare reputational resource, which takes time to build up and is therefore hard to imitate.

Finally, as product ranges drive CPAs it has become clear that firm-specific technological resources translate into political resources and significant drivers for CPAs and therefore differences in CPAs.

8.6 Conclusion
So, it’s true, yes we try to have a common position on big policies but we have also individuality on supporting different kinds of policies. (EU6-A)

In this chapter, the specific findings of the triangulated interviews were examined using the societal triangle, according to the two remaining research questions (RQs 4 and 5), while RQ6 was revisited (IVQs 5-9).

The first part of this chapter discussed the following research question:

- RQ4: How do enterprises view environmental regulations?

It looked at the way automotive companies regard environmental regulations and how other stakeholders of the societal triangle consider car companies’ stance in this area. This discussion resulted in divergent views – car manufacturers perceived environmental regulations as both opportunities and costs whereas other stakeholders from related industries, the state and civil society side saw car firms as only focusing on the cost aspect of these policies and therefore viewing environmental regulations negatively. This raised the question whether car producers gave socially desirable responses, as did the previous chapter. Whilst the need for balance and avoidance of contradicting requirements was acknowledged in general,

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182 One could view the member state governments as local authorities in the EU if a different scale is taken (moving from the national to the supranational level).
Japanese companies were pointed out as seeing more opportunities for innovation from environmental regulations than American and European car companies who were perceived to view environmental legislation more negatively.

The discussion on views on environmental regulations set the scene for the first part of RQ5:

- RQ5: How and why do CPAs differ – across different areas of environmental regulations?

One key theme that emerged here were differences between French and German manufacturers based on their product portfolios, thus leading to tensions and differences in CPAs. This also related to different market emphases and regulations between US- and EU-focused manufacturers as well as the key difference between producers of larger cars and manufacturers of smaller cars where different product ranges drive differences in CPAs. Differences in CPAs between the car industry and related industries could also be observed in the answers. Furthermore, contradictory requirements between the three areas, highest-level CPAs, the politicised nature of the policy-making process as well as repercussions came up as key themes among responses for the three regulatory areas.

In this discussion it became clear that there were differences in CPAs between individual manufacturers and their countries of origin, which were discussed in the second part of the chapter, based on the case companies, thus addressing the second part of RQ5:

- RQ5: How and why do CPAs differ – between MNEs from the Triad regions?

Within the six European cases the main difference that was observed concerned German versus Latin manufacturers where both sides experienced highest-level CPAs in the regulatory areas in using national governments for CPAs. The major driver for CPAs, as could clearly be seen between the German and Latin manufacturers, was the distinct product portfolios of the two clusters with an emphasis on larger, more upmarket cars and on smaller, more fuel efficient cars at the lower end of the market respectively.

The two American cases seemed to come between the Latin and German manufacturers with regard to product portfolios, but they were also perceived as German due to their heavy presence in the country and a similar product range. In their CPAs, US1 and US2 were perceived as Europeans, and, like the rest of their operations, they are independent from their American parent companies. This was
perceived differently for the three Japanese cases, which were still regarded as distinctly Japanese and not European, despite an increased manufacturing and lobbying presence in Europe. The Japanese companies were seen as environmentally proactive, and particularly JP1 and JP2 as strong in this respect, albeit with very different approaches to CPAs.

The issue of culture was mentioned as a potential differentiating factor for CPAs, especially for the Japanese companies. Culture also plays a role in Europe, as the Latin manufacturers have traditionally specialised in smaller cars and the German producers in larger and heavier vehicles. However, as this could also be due to the strength of the German economy and Germany’s engineering tradition leading to a bigger market for up-market cars, the issue of culture (and institutions) would be an interesting avenue for further research (see also Barron 2010). One respondent stated he could not attach differences to countries within Europe, but did so with regard to the Triad regions (MEP6). Regarding culture and national identity of manufacturers, it is worth quoting an interesting perspective on this:

> Each manufacturer had a national identity, which played through to the member states representation very strongly. That is no longer the situation in terms of the industry being a global industry now, a true global industry. But there is still this identification of parts of the industry as being of a certain nationality, which I find really bizarre. When [JP2] makes any cars in Europe it is seen as Japanese or [US1] is seen as English in Britain even if it is American, these types of national ideas, [EU3] is German even if they are made in Eastern Europe. It is these concepts in people’s minds that, ownership of the brand is still very much identified with different countries but not necessarily legitimately. (NGO1-B)

While firms from one region or country shared certain similarities in their approach, it is interesting to note that, in all regions, there seemed to be two diverse approaches of CPAs by firms within one country, thus EU2 differs from EU3 in its approach, visibility and perception, EU4 from EU5, US1 from US2, and JP1 from JP2.

As a result of RQ4 and RQ5, RQ6 was revisited:

> **RQ6:** What kind of (political) resources and competences do firms use in their CPAs?

In addition to the political resources and competences investigated in the more general findings of the previous chapter, this chapter raised some more specific political resources and competences, firms use in their CPAs. The support of other stakeholders through national governments was strongly emphasised for the three regulatory areas as well as for the individual companies, especially the European
ones. While time could be seen as a missing resource for the car industry in the ELV discussions, reputational resources and therefore social capital were reinforced both as a positive political resource (in the case of EU2, JP1 and JP2) and as a negative resource which can lead to repercussions (in the case of EU3 and EU4). As a major driver of CPAs, product portfolios and firm-specific technologies were identified in this chapter, and therefore technical and technological resources are translated into political resources used in CPAs.
9 Findings and Conclusions

9.1 Introduction

This thesis has investigated CPAs of automotive MNEs for three areas of environmental regulations in the EU, using the RBV as theoretical framework. This chapter gives a summary of the thesis and its findings, implications and limitations, makes suggestions for further research and gives recommendations to the three constituents of this research – the societal triangle of state, market and civil society.

Chapter 2 introduced the relevant areas of literature – MNE-Host Government Relations from International Business, CPAs from Strategic Management, and Lobbying/Interest Representation from Political Science (including social capital), all of which stressed the importance of multi- and interdisciplinary research into business-government relations. One important commonality that was found among these three strands of literature is that individual CPAs – as opposed to lobbying only collectively through industry associations – are only possible if there are sufficient resources available to firms. Hence, the research lent itself to the use of the RBV as an underlying foundation. Chapter 3 introduced the specific context of the study by discussing environmental regulations in general and with particular application to the EU and the automotive industry in three regulatory areas – pollutant emissions, CO2 emissions and ELVs.

Chapter 4 set out the theoretical framework applied in this thesis. Using the RBV served two purposes: in the first place, to see what kind of resources and competences companies use in their CPAs and secondly, to see whether different resources and competences lead to different CPAs based on the fundamental resource-based assumption that different resource endowments lead to different market strategies. As the RBV has been used in the strategy literature as the dominant explanation for firm differences, this was the appropriate framework (Hoopes et al. 2003: 897) to examine variations in CPAs. By applying it to CPAs and taking the EU as setting, this research furthermore explored the RBV in a new context.

The following research questions emerged from chapters 2 to 4 and were synthesised in chapter 5:
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- **RQ1**: Why do firms engage in CPAs?
- **RQ2**: How do companies organise and approach CPAs?
- **RQ3**: What is the relationship between individual firm activities and industry association activities in interest representation?
- **RQ4**: How do corporations view environmental regulations?
- **RQ5**: How and why do CPAs differ – across different areas of environmental regulations, and between MNEs from the Triad regions?
- **RQ6**: What kind of (political) resources and competences do firms use in CPAs?

Chapter 6 discussed the choice of case study research as suitable methodology and specifically highlighted the importance of triangulating interview sources from state, market and civil society for investigating such a sensitive topic as CPAs. Considering the contentious nature of the issue, the resulting response rate above 50% (71 interviews from 130 to 140 potential interviewees) was judged as being very high. The findings of the study, based on interviews, were discussed in chapters 7 and 8, analysing them across and within the regulatory areas and the case companies.

This last chapter evaluates the results of the investigation based on chapter 7 and 8, revisits the research questions, and looks at research implications and limitations, whilst also acknowledging the changing industry environment, before making recommendations for further research and to the constituent stakeholders. Whereas chapter 7 discussed the general findings across the cases in terms of motivation, organisation and approach, the relationship between individual companies and the association, as well as of resources and competences (RQs 1-3 & 6), chapter 8 discussed the specific findings of the three environmental areas and the individual case companies from the Triad regions (RQs 4 & 5) and, on this basis, revisited RQ6. These findings are now summarised in the following.

### 9.2 Revisiting the Research Questions: The Findings

- **RQ1**: Why do firms engage in CPAs?

Based on the definition of CPA as “any deliberate firm action intended to influence governmental policy or process” (Getz 1997: 32f) including aspects of communication and continuity, the thesis investigated why firms engage in CPAs as a starting point.
Five key themes emerged from the analysis. The two main motivators were, firstly, the business interest, i.e. the legislative impact on operations, which makes companies desire to influence legislation according to their interest. Secondly, it was information and communication – the wish to inform policy-makers about the industry and its needs as well as the wish to be informed about legislative developments. Other reasons to engage in CPAs included predictability and fairness (to create a level playing field), defensive (to avoid, weaken or postpone legislation) and positive motivators (to contribute to the best solution). In terms of the literature, the findings confirm the strategic saliency of legislative issues and favourable legislation as reasons for CPAs (Yoffie 1987, Baysinger 1984, Salorio et al. 2005). Furthermore, these results showed that governmental policies are an endogenous factor for companies, which they are trying to integrate into their general strategy. It became clear in the course of the discussion that governmental policies are not external givens for corporate strategies. This has implications for the RBV, which traditionally takes governmental factors as exogenous (see below).

➢ RQ2: How do companies organise and approach CPAs?

Although the findings of RQ1 would suggest the integration of corporate political and corporate competitive strategies, in practice this is not the case – corporate as well as other respondents pointed out the communicational distance between the representative offices in Brussels and the headquarters, which needs to be acknowledged and bridged. A possible explanation was the development and addition of CPAs as a relatively new and growing function to businesses, which also leads to major differences in how CPAs are called and organised within corporate hierarchies.

The approach to CPAs cannot be generalised or classified as either conflictual or cooperative as proposed by some authors (e.g. Luo 2001). It was stressed by all three triangle sides that it was dependent on the topics, the individual firms and the association, and on the time scale (of both policy processes and automotive CPAs in general). Whilst automotive respondents tended to describe their approach as cooperative in general, and that the broad, ideal aim is to be proactive and cooperative in their CPAs, the findings also showed that the reality of reactive and confrontational approaches was acknowledged by respondents of all three societal triangle sides in general, but especially by related industry, state and civil society and in particular for the specific instances of environmental regulations.
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- RQ3: What is the relationship between individual firm activities and industry association activities in interest representation?

Three key themes emerged from this discussion: cooperation and complementarities between individual firms and the association lead to a unified voice – this was emphasised by automotive respondents. Difficulties and challenges for the association through lowest common denominator positions, lead to firms pursuing individual CPAs due to different interests, technologies and product portfolios, which was highlighted by related industries and state side respondents. Within the key theme of communication channels it was observed that the association mainly talks to the Commission while companies talk to MEPs, although there are exceptions.

While the automotive industry is generally characterised by cooperation in form of joint ventures and strategic alliances, CPAs happen either at the association level or the individual firm level – ad hoc lobbying coalitions between selected individual companies were rarely observed.

- RQ4: How do corporations view environmental regulations?

Although related industries, the state side and civil society perceived car companies to view environmental regulations negatively and as cost factors, automotive firms seemed to recognise these as both costs and opportunities for innovation\textsuperscript{183}, and acknowledged contradictory requirements in environmental legislation along with association respondents, for which a balance and compromise needs to be found. Civil society respondents perceived an element of “green PR” from the automotive industry, which raises the question of social desirability for industry responses. It emerged from both the market and the state side that timing is an issue where environmental regulations might be a cost in the short term but can be an opportunity for innovation in the long term. Japanese companies were pointed out by all three sides as firms that – more than their European and American counterparts – see opportunities for innovation and environmental leadership in such legislation.

- RQ5: How and why do CPAs differ – across different areas of environmental regulations, and between MNEs from the Triad regions?

In the discussion of the three areas of environmental regulations it could clearly be seen that CPAs differ between individual car manufacturers. Key themes among these differences were the rift between French/Latin and German manufacturers and

\textsuperscript{183} This is in line with the findings of McKinsey (2010).
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different product ranges. A different market presence of manufacturers and different regulations between the EU and the US also play a part here. Other key themes that emerged in the first part of RQ5 include contradictory requirements between the three legislative areas, and the highly politicised nature of the policy-making process, which involved CPAs on the highest level, and repercussions for the industry as a consequence of the nature of their CPAs.

As car companies from all Triad regions not only produce vehicles in the EU but are also politically active through CPAs in Brussels, the automotive industry provided a unique setting to compare MNEs from these regions. Within the six European case companies, large differences were observed between German and Latin manufacturers, although both clusters experienced the support of their respective national governments. The major differentiating factor between the two groups was their distinct product portfolios, which led to very different positions in CPAs. Although the support of member state governments was not necessarily available to American and Japanese manufacturers, they also received the support of MEPs with production locations in their constituencies.

It became very clear from the interviews that both American subsidiaries in Europe are fully integrated in Europe and independent from their American parent companies, also in their CPAs, although US2 was perceived as somewhat “more American” than US1 which seemed more proactive in its CPAs, also with regard to environmental regulations.

The Japanese subsidiaries in Europe are different from the American subsidiaries in that they are still regarded as Japanese, also in their CPAs in the desire for clarity. For Japanese companies and especially for their association, JAMA, the links to headquarters in Japan are very close. While JP3 seemed to disappear behind its alliance partner EU5, both JP1 and JP2 were very strong with regard to environmental leadership. Particularly JP2 stood out as proactive and positive in this respect; unlike the other subsidiaries it was also perceived as more European, and had managed to become a member of ACEA.

➢ RQ6: What kind of (political) resources and competences do firms use in CPAs?

Using the RBV as a theoretical foundation, the research investigated what kind of (political) resources and competences are used by firms in CPAs, based on Dahan’s typology. Expertise and relational resources with a strong reputational element were
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stressed by market side respondents – political resources therefore encompass social capital since contacts and relationships are vital to CPAs. Although state side respondents pointed to the difficulties of outside observations, they highlighted the same resources as main resources. More than other respondents, civil society respondents observed recreational skills as resources used by firms in CPAs, but also stated expertise and relational resources as important resources for CPAs. Amongst other resources, public image was less important and, similarly, financial resources, recreational skills and support from other stakeholders. Organisational resources were seen as given since the companies and associations interviewed are all represented in Brussels through offices there. Being connected, knowing people (and thus knowing whom to talk to when it matters) creates social capital (Althaus 2005), and thus relational resources can provide real value for companies’ CPAs. On the basis of the findings in chapter 8, the support of other stakeholders in the form of national governments received re-enforcement as a political resource. In addition to reputational resources and time, technological resources based on product portfolios emerged as a strong resource that drives CPAs.

The main resources emphasised in both chapters are all connected to human resources. These develop expertise and contacts through learning processes, which then leads to reputation, trust and continuity. Such social capital enables beneficial relations with policy-makers who will take corporate suggestions into legislation, which in turn leads to corporate success. Chapter 8 added technological resources as the second main resource used in CPAs. As was clearly seen in the discussion of the three regulatory areas, market positioning on the basis of product portfolios and technological resources drives political positioning. Human resources could therefore be seen as the form of CPAs and technological resources as the content of CPAs, which together are the driving forces in CPAs and thus the main factors for differences in CPAs.

9.3 Research Implications

9.3.1 Revisiting the Literature

In the IB literature – the first perspective discussed – MNE-host government relations often focus on developing or emerging markets and seem to take government relations in industrialised home and host countries for granted. In the context of the thesis, the EU is home and host country for MNEs in the automotive industry and,
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thus, the literature could be applied in a context hitherto insufficiently acknowledged. As previous work in IB may have suffered from an economic bias (e.g. Boddewyn 1988), the thesis has contributed to the area by questioning governmental policies as external givens – here they have been shown to be endogenous rather than exogenous factors – and by focusing on political (EU) as well as environmental issues. The joint investigation of environmental issues and MNEs in the automotive industry is a valuable input to International Business research.

Significantly, two important resource-based findings of the thesis confirm the building blocks of MNE-host government relations as suggested by Luo (2001) who argues that resource complementarity, political accommodation, organisational credibility and personal relations make up MNE-host government relations. Organisational credibility is seen in the relational resources of trust, reputation and continuity, while personal relations are embodied in the relational resources of human resources, networks and contacts. These relationships, as a form of social capital, are firm-specific assets that are not transferable (Luo 2004b, Chisholm and Nielsen 2009). Furthermore, these findings confirm that non-market factors not only include political risks, but also political opportunities (Boddewyn 1988), which JP1 and JP2 perceive in relation to environmental leadership in their CPAs.

As the research investigated MNEs from the Triad regions, it was possible to transfer the Bartlett and Ghoshal (1989) typology of MNEs from the market area to a non-market field as Baron (1995) suggested. From the findings it could be seen that Japanese MNEs also tend to aim for global integration in their CPAs, and on an industry level through their association JAMA, while US and European firms are very similar in their approach. Whilst a multi-domestic approach could have been expected from European firms and from the independent European branches of American firms, it seems that in their complex structures of brands and subsidiaries, US and EU MNEs are developing transnational approaches where knowledge, information, and people flow interdependently between subsidiaries, and between subsidiaries and headquarters.

The second theoretical perspective, the CPA literature from Strategic Management, has a strong US focus and the thesis has contributed to generalising its application in

184 The importance of climate change for international business research was highlighted in the keynote address given by Michael Stephenson IBM UK (UK Climate Change Programme) at the AIB UKI conference in Portsmouth, 28th-29th March, 2008 (Academy of International Business, UK and Ireland chapter).
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a non-US, international context (see e.g. Wan and Hillman 2005). The findings also challenge traditional CPA perspectives of approaches being either confrontational or cooperative – the results of RQ2 show that approaches cannot necessarily be generalised. The approach depends on various factors, most importantly the individual regulations in question, including their timing and stage, and the role of the industry association and individual companies.

The strategic salience of legislative issues as motivation for firms to engage in CPAs, as underlined by this strand of literature (e.g. Salorio et al. 2005) was confirmed by the findings. Reputation was substantiated as a vital political resource (see Yoffie 1987, Dahan 2005a, b), which a firm gains by being a reliable source of information (Schuler et al. 2002). Furthermore, establishing credibility as a crucial resource is also consistent with earlier studies (Hillman and Wan 2005).

This third perspective, the Political Science literature on lobbying and interest representation, underlined the complex entity of the EU. The thesis has contributed to this strand of literature by focusing on individual CPAs instead of association activities as well as by taking a company perspective through the RBV. In this respect the research substantiates Van Schendelen’s (2002) resources of expertise and networks; he considers a good image as a requirement for successful lobbying, which this thesis adds to the resources that are leveraged in lobbying. The thesis also confirms that while financial resources are important they are not key determinants of lobbying success, as John (2002) points out.

Eising (2007) indicates that national differences in interest intermediation and representation might have been levelled out by 50 years of European integration and might be less pronounced than is generally supposed. Although many interviewees did attribute the level or degree and kind of interest representation to national differences, this research also showed that product ranges have a significant impact on the form and especially the content of CPAs. However, the form of CPAs might be more influenced by national differences than the content as the form lies in the human resources carrying out these activities.

The research has reinforced the importance of trust-based relationships between interest groups (in this case automotive companies) and EU officials (e.g. Coen 2007). These relationships also create (positive) reputational resources in the form of social capital that help firms gain access to decision-makers (Coen 2007, 1997b),
which is again confirmed by the findings from the interviews\textsuperscript{185}. Coen (2007) calls this whole process a “credibility game” – credibility has repeatedly been pointed out as an important resource.

In light of the above, this thesis has provided greater insight into the relationship between business and politics, and therefore practical recommendations may be made (see below). By integrating three strands of relevant literature, this research was able to fill research gaps identified in all three perspectives, namely the need for interdisciplinary research, the importance of investigating environmental regulations, looking at the supranational context of the EU, investigating the nature of business-government relations as either confrontational or cooperative as well as considering the country-of-origin effect of MNEs engaged in CPAs (see Table 2.5 in synthesis section 2.2, p. 41).

9.3.2 Revisiting the Theory

As discussed above, the findings strongly indicate that governmental policies are not given factors for companies, but are indeed integrated into their strategy as factors that can be influenced. This challenges the traditional perspective of the RBV that government or regulation is an exogenous environmental characteristic (see Dahan 2005b as well as Amit and Schoemaker 1993, Frynas et al. 2006). As an adjustment and contribution to the theory, governmental policies should therefore be regarded as endogenous factors that may be influenced by CPAs, certainly in industries such as vehicle production where manufacturers are so powerful.

This study has contributed to the RBV by examining political resources and capabilities, which needed to be factored into strategy and IB research and looked at from an international perspective, with less orientation towards the USA (Boddewyn and Brewer 1994, Frynas et al. 2006). The thesis used Dahan’s (2005a) conceptualisation of political resources to empirically validate his typology of expertise, financial resource, relational resource, organisational resource, reputation, public image, support of stakeholders, and recreational skills. These are discussed in the following paragraphs.

*Expertise* of human resources was confirmed as an important resource in terms of technical as well as institutional expertise.

\textsuperscript{185} See also Anastasiadis (2006) for reputation in terms of lobbying.
Financial resources are only of indirect nature in financing other political resources; they are not used directly as in the US through campaign contributions. Economic resources, as Attarça (2002, 2005) discusses, are important in the case of the automotive industry – its size and market power were pointed out as political clout possessed by the industry which is used as a political resource (e.g. threat of relocation and job losses), particularly concerning environmental regulations.

Relational resources were found to be an essential resource which form a basis for gaining access to policy-makers (through social capital) and for being able to influence them. External as well as internal networks play a role in this respect. Interviewees identified continuity of personnel as a resource which does not feature in Dahan’s typology but which should be added as a sub-category to relational resources. Networks and contacts, and therefore social capital, in turn influence the reputation that automotive companies have in their CPAs.

Reputation and political acumen, which Russo and Fouts (1997) identify as neglected intangible assets in RBV development, have been shown to be of prime importance, thus confirming Moon and Lado (2000). This is especially the case for the Japanese companies JP1 and JP2 who have been able to build positively on their reputation as environmental leaders when interacting with the European institutions. Conversely, the negative reputation of EU3 after the ELV directive was a detrimental political resource for EU3’s CPAs with implications and repercussions for the industry as a whole. Reputation also affects public image, which is, however, of less importance in CPAs.

In terms of organisational resources and how CPAs are structured, all companies interviewed used internal resources in the form of their in-house units in Brussels. These units and their organisation within the corporation were all structured differently – a situation that was pointed out by interviewees as possibly due to the more recent development, especially for European companies, of CPAs in general and in the EU. Like financial resources, organisational resources seem to be a foundational resource, necessary in order to be able to engage in CPAs in the first place, but not a differentiating resource such as reputation or networks.

While the support of stakeholders did not play a role in the general analysis in chapter 7, it came out strongly in the discussion within the three regulatory areas and the Triad regions in the form of national governments supporting firms in their member state. Therefore this resource is indeed part of the typology of political resources as suggested by Dahan (2005a), although he only mentions local public
authorities, not national governments. In this respect, Sethi and Elango (1999) propose incorporating country-of-origin effects to expand the RBV of the firm where resources could be differentiated into internal (within-firm) resources and external (country-of-origin based) resources. As country-of-origin effects were investigated in this research with regard to differences between MNEs’ CPAs, future research could link these two perspectives further.

Recreational skills are commonly used in practice but had not been acknowledged previously in the literature, according to Dahan (2005a). These are indeed used by companies to set up events to create contacts but were not found to be of great significance apart from one company, EU1.

In summary, this thesis has largely confirmed Dahan’s typology and added some sub-categories to his classification. In this, the thesis therefore contributes to the development of the RBV with regard to political resources and competences. In addition, the thesis identified technological resources as important drivers of CPAs (content) and thus also as political resources which must be taken into consideration.

The thesis developed the following graphic as a starting point in chapter 4, based on the discussion and development of the RBV in the context of MNEs and CPAs:

Figure 9.1: Resource-Based Determinants of MNE-Host Government Bargaining Power Relationship (Figure 4.3, based on Figure 4.2, Moon and Lado 2000: 101)

![Figure 9.1: Resource-Based Determinants of MNE-Host Government Bargaining Power Relationship](image)

On the basis of the findings, this graphic can also be taken as a concluding point with the addition of a feedback arrow from the industry and country context to firm-specific resources based on the findings:

Figure 9.2: Resource-Based Determinants of MNE-Host Government Bargaining Power Relationship (Figure 4.3, amended on basis of findings)

![Figure 9.2: Resource-Based Determinants of MNE-Host Government Bargaining Power Relationship](image)
As elaborated in the previous chapters, automotive companies engage in individual CPAs (bold arrow) as well as in industry association activities (upper left and right arrow) which can be seen in the industry context. Furthermore, their country context does play a role in their CPAs (central arrow and upper right arrow) and for their firm-specific resources (upper left arrow). While Moon and Lado (2000) only show the two central arrows (see Figure 4.2), the thesis contributes to the RBV by highlighting the flow of firm-specific resources into the industry context (association activities) and vice versa, and the influence of the country context on CPAs. The most important firm-specific resources used in CPAs were found to be resources related to human resources (expertise, networks, reputation – form of CPAs) and technological resources (product portfolios – content of CPAs) which are thus differentiating factors between MNEs. Technological resources relate to technological know-how, which Moon and Lado (2000) identify as firm-specific resources used in MNE-host government relationships.

The importance of human resources as found in this thesis is consistent with Bartlett and Ghoshal (2002) on building competitive advantage through people – they are crucial in corporate strategy. Furthermore, as human resources are intangible resources, the findings confirm that the most influential resources in the RBV (which does not per se distinguish between tangibles and intangibles) are intangible resources (see also Kristandl and Bontis 2007), or as Barney (1991) puts it, human and organisation-specific resources.

While human resources could possibly be imitated or hired away, a firm’s reputation and long-term relations with decision-makers cannot easily be duplicated or substituted (Keim 2001b, Moon and Lado 2000). Even though human resources rarely move companies in Brussels, the one time it happened it caused huge uproar, when an ACEA employee left the association to start JP2’s public affairs office in Brussels (Spell 2000, Rel12).

This brings the discussion to the characteristics that resources need to possess in order to lead to (sustainable) competitive advantage or, in the case of this thesis, political advantage. While Dahan (2005a) suggests a classification of political resources, he only applies the VRIN framework (Barney 1991) to the outcome of CPAs and not to political resources themselves. Therefore, this thesis applies the VRIN framework to political resources and, in that, contributes to the development of the RBV in a political environment. Firstly, in order to lead to competitive or political advantage, resources need to be immobile and heterogeneous. Secondly, resources
need to exhibit value, rareness, inimitability, and non-substitutability as characteristics in order to lead to competitive or political advantage – can the VRIN framework (Barney 1991) be applied to the political resources as reflected in the thesis? The following paragraphs attempt to answer this.

Are political resources immobile? As noted above, human resources are mobile in CPAs, but it is rarely the case that they move and when they do, this has serious consequences. Most other political resources are tied to the company: organisational resources, reputation, public image, support of stakeholders and recreational skills. As human resources are tied to the company, so are relational resources and expertise. Dierickx and Cool (1989), too, point out the immobile nature of reputation, which was confirmed by the thesis. Furthermore, technological resources as drivers of CPAs are also “sticky” resources (Teece et al. 1997) as they are deeply rooted in companies and therefore organisation-specific (Barney 1991).

Are political resources heterogeneous? The main resource consists of human resources and their related resources (expertise, reputation, relational resources) and human resources are by nature heterogeneous. Other resources that are heterogeneous and tied to the company include public image and organisational resources, possibly recreational resources. Financial resources are the least heterogeneous resources. Furthermore, the technological resources that were pointed out as main drivers of CPAs besides human resources are inherently heterogeneous and organisation-specific as they are linked to the diverse product portfolios of car companies. The support of stakeholders in the form of national governments as a political resource is only heterogeneous across country borders; within a member state it might be shared among companies and therefore be homogenous to some extent.

Are political resources valuable? All of the political resources and competences discussed provide value of some kind to automotive firms. This is especially the case for relational resources: relationships with legislators – once established – are valuable when information and expertise are exchanged in mutual “give and take” relationships. In addition, the technological resources, upon which companies build their competitive success in the market place through their distinctive product portfolio, are very valuable in constituting vital information when talking to policy-makers.

Are political resources rare or limited? Whilst not all political resources are rare or limited (e.g. financial and organisational resources are available to all companies if
the general economic situation of a company is left aside), resources such as the support of stakeholders and relational resources may be limited (cf. Frynas et al. 2006). For example, the time for a politician or a civil servant to engage in networking is limited (and rare) and if companies have built up credibility and social capital through their representatives as trusted dialogue partners, they will be a preferred source of information when meetings are arranged. Time as a resource for companies is also limited. Furthermore, human resources that have sufficient expertise about both the industry and the institutional environment may be in limited supply. The technological resources that drive CPAs through product portfolios are limited in supply, too.

*Are political resources inimitable?* While expertise, organisational resources, financial resources and recreational skills may be imitated, this may not be the case for resources such as relational resources, reputation and public image as well as the support of other stakeholders. While the first group of resources may be imitated in the short-term (with the possible exception of expertise), this may not be possible for the second group of resources. Barney (1991) previously pointed out that human and organisation-specific resources are the most difficult to imitate. CPAs happen on an inter-personal level and if the “chemistry is right” (as a number of interviewees pointed out) with policy-makers in the EU institutions, this may be difficult to imitate for competitors. Unique historical conditions and socially complex resources such as relational resources and reputation (i.e. social capital) thus complicate imitation.

*Are political resources non-substitutable?* As with the characteristic of inimitability, resources such as financial, organisational and recreational resources are substitutable in the short-term, while other resources such as reputation and public image are certainly non-substitutable, even in the long run. Relational resources and the support of other stakeholders may be substituted but this might take time. This asset stock accumulation (Dierickx and Cool 1989) applies to the continuity that human resources provide in CPAs who cannot be substituted instantly. Company representatives that have been working in CPAs for several years cannot easily be replaced or substituted by a new assignment. As was indicated by several interviewees, in the first year or two, one cannot be efficient. Once a network has been established over a period of time, this can be stable and durable, thus providing continuity. The head of the EU2 office in Brussels had been in the position for almost two decades and had established a network that was unequalled as interviewees from all societal triangle sides emphasised.
Even though possibilities for CPAs are initially the same for every company, the way a firm carefully builds up its political resources makes sure that the work leads to sustainable advantage in terms of the political resources of expertise, contacts, reputation and credibility, in other words, social capital. This process, above all, takes time and is thus not easily imitated. This is where firms can gain advantages in their CPAs by providing valuable expertise through credible, trustworthy human resources (form) who in turn build on the technological resources (content) that drive CPAs, and are supported by other resources such as stakeholder support or recreational skills.

In this context, the question whether the RBV is an appropriate framework to investigate firm differences in a political environment as opposed to a market environment needs to be asked. The RBV can be applied to the political environment to a certain extent, as – unlike in the market environment – firms join together in industry associations and lobby for the general interests of their sector. They use certain resources jointly, e.g. the support of stakeholders and of the industry association. In a competitive market environment this is often not possible for anti-trust reasons. This research has now shown that individual CPAs are indispensable for companies as environmental regulations directly affect their product portfolios and vice versa and, therefore, the RBV can be applied in this context. Future research could, however, specifically concentrate on the characteristics of collective resources that are jointly used by individual companies and on the characteristics of firm-specific resources that are pooled together.

9.3.3 Revisiting the Methodology

Regarding the methodological choice of regulatory areas it can be stated that, although the research initially started with a focus on CO2 emissions, it became clear during the first interview stage that CO2 emissions were a topic that automotive companies (and associations) were very reluctant to discuss. Furthermore, as a VA, this kind of regulation is not a typical example of environmental regulations and, therefore, extending the research to pollutant emissions and ELVs gave the study more breadth and strengthened its arguments for environmental regulations in general. In addition, by looking at these three areas this research constitutes the first time these have been studied in context.

The policy community for environmental regulations and automotive industry in Brussels is tightly knit and the number of people involved comprises a limited circle, as was noted by interviewees (e.g. Rel3, MEP7, Com11). In such a context,
qualitative methods are better suited – quantitative methods could not have been easily applied to this area, especially since respondents all came from different backgrounds (societal triangle) that would have been problematic for such comparisons. Using triangulation based on the societal triangle (market, state and civil society) contributed depth and credibility to the chosen approach.

Saturation in sampling was achieved with 71 interviews and the coverage of the whole population of 11 case companies politically active in Brussels. Moreover, as the regulatory areas of environmental legislation were dispersed over a period of several years a qualitative case study approach, also in retrospect, seems more appropriate than any alternatives. The approach was especially suited for the sensitive as well as controversial nature of the topic as illustrated in chapter 6.

9.4 Limitations and Suggestions for Further Research

One of the limitations of the study is related to the preceding discussion on methodology. The case studies all applied to a single industry where producers and states are so powerful. The three regulatory areas enabled the comparison of CPAs within one industry over time. However, the generalisability beyond one industry is somewhat limited and further research could and should therefore extend to other industries as political behaviour and resources may differ among industries and issue areas (see e.g. Brewer 1992, Boddewyn and Brewer 1994, Frynas et al. 2006, Héritier and Eckert 2009). The VA over energy use of electronic and electric goods and the so-called WEEE directive (Waste of Electric and Electronic Equipment) would enable comparisons of this industry with the CO2 VA and ELV directive of the automotive industry.

Climate change as a policy issue shares some of the characteristics of vehicle manufacturing, with strong countervailing state and producer influences, and further research could and should look at the processes and actors in the development of the EU Emissions Trading Scheme (see e.g. Skjærsæth and Wettestad 2008, 2010, Wettestad 2005). As there was strong industrial representation for these cases, it would provide a valuable research opportunity to investigate similarities and differences (see e.g. Markussen and Svendsen 2005).

Staying within the same sector, the research could be extended to the other two major political locations where interest representation takes place. The location of Brussels could be compared to the locations of Washington, D.C., where most major car companies have offices or use lobbyists, and Tokyo, where ACEA opened an
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office in 1995 (ACEA 2008). Loewenberg (2001) points out stark differences between the US and the EU with respect to lobbying which was also highlighted by the respondent who had experienced both (EU2-B, see also Mahoney 2007). As an increasingly important and emerging political location, Beijing could be an interesting place to investigate interest representation – ACEA opened offices there in 2004 (ACEA 2008). The increasing importance of Beijing and thus China in the political automotive landscape is illustrated by the fact that the new head of the EU2 office in Brussels spent three years in Beijing as the General Manager North-East Asia Government affairs (Public Affairs News 2009). The industry’s changing competitive landscape through Chinese firms is illustrated by Ford’s sale of Volvo to Geely in 2010 as well as through SAIC’s (Shanghai Automotive Industry Corporation) purchase of Rover designs and its subsidiary NAC’s (Nanjing Automotive Corporation) acquisition of MG Rover assets (source: Just Auto).

A related possibility for further research in the same area is the investigation of automotive subsidiaries in EU member states or globally in terms of integration or dissimilarities (see e.g. Blumentritt and Nigh 2002, Wan and Hillman 2006).

Research could also include other instances of regulation for the automotive industry, particularly safety, distribution, intellectual property rights (e.g. design protection) and technical regulations (e.g. type approval). This would enable the investigation of whether environmental regulations are exceptional regulatory areas.

This research was limited in that it only investigated in-house activities – it would therefore be of interest to examine to what extent and for what reasons automotive companies use political consultants – a research area that Bouwen (2002) and Greenwood (2007) identify as being under-researched.

A potential risk and limitation of interview research is response bias and poor recall of interviewees; therefore, care had to be taken to triangulate sources from the societal triangle in order to secure a robust base for the findings, especially as some of the regulatory areas dated back to the 1990s and even 1980s (pollutant emissions pre-Euro norms). The distribution of the respondents and the number of interviews undertaken served to circumvent response bias and poor memory and underline the strength of the research with respect to triangulation from automotive and related industries, Commission and EP, and NGOs.

Since many actors (companies and associations from different industries, civil society organisations, other state side stakeholders such as national governments) have an
input into legislation it is difficult to define concise political advantages for individual companies (see e.g. US2-B, Public Affairs Manager 2005, ECPA Annual Conference 2007). Transferring the concept of SCA to a political environment can therefore be problematic and potentially limits the use of the RBV and thus provides opportunity to develop tools to measure and quantify success in CPAs in future research.

Furthermore, as it was only to a limited extent possible to trace approaches to CPAs to MNEs’ countries of origin, it could be beneficial in the future to draw upon the national business systems literature in order to understand how different cultures and business climates play a role in CPAs (see also Barron 2010). Future investigations could possibly draw upon Morgan, Kristensen and Whitley (2001), Morgan, Whitley and Moen (2005), and Whitley (1991, 1992). In this respect, The Council of Ministers, which was excluded from the data collection for various reasons (see 2.1.4) and could have modified findings, may be included in further research to investigate the linkages between European and national CPAs of automotive companies.

The integration of market and non-market strategy factors (Baron 1995 and Boddewyn 2003) could only briefly be discussed in chapter 7 and this could be an important and worthwhile avenue for future research as there seem to be practical and theoretical limitations in this respect (see Capron and Chatain 2008), especially since several interviewees commented on the lack of communication or integration between people involved in CPAs in Brussels and corporate headquarters (US2-B, EU3-B, AA1-A, AA1-E, MEP6, NGO1-A).

In this respect, one respondent actively encouraged future comparative research on how CPAs are organised in automotive MNEs as there seem to be stark differences in the internal organisation of the function (EU3-B, see RQ3).

As environmental regulations and corporate perspectives on them can also be related to corporate social or environmental responsibility, further research could look at the differences and similarities of corporate communication in terms of CSR and CPAs – are companies giving out contradictory messages to customers and policymakers or are they sending out consistent communications? Pedler (2002a) points out that, increasingly, public affairs managers cover CSR issues in addition to

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186 It is known to the author that such work has started – a doctoral researcher at the ICCSR (International Centre for Corporate Social Responsibility) at the Nottingham University Business School is working on similar questions. McGee (1998) also places corporate strategies and environmental regulations in the context of CSR.
lobbying and government affairs, and therefore this link is an important direction for further research.

A further important limitation with regard to the focal industry is that its nature has changed since the beginning of the research and especially since the end of data collection (Just-Auto 2010a), with regard to several respects. The importance of environmentally friendly cars has increased, and is more and more recognised by the industry (Just-Auto 2010b). The global financial crisis has affected the automotive industry in various ways, among them the end of various scrappage schemes (e.g. Automotive World, 16.03.2010), that were intended to aid the industry in its recovery, which may leave the sector particularly vulnerable.

The global financial crisis also led to changes in ownership and alliance structures within the industry. Both GM and Chrysler filed for bankruptcy and required a bail-out by the federal US government in 2009 (FT 2011b), thus demonstrating the vulnerability of the sector. With the offering of GM shares in the stock market in 2010 and Chrysler's listing in 2011, the two companies seem to have achieved a turnaround. Both companies have carried out changes in their brand and alliance structure: GM has sold off its Saab brand while Chrysler has teamed up with Fiat, which could potentially lead to a full merger, after its separation from Chrysler and acquisition by Cerberus. Fiat in turn is in the process of separating its industrial business from its automotive and engine business (FT 2011c), while Ford has sold several of its marques to emerging market companies (FT 2011d).

Changes in the industry have also occurred in Brussels as main location of CPAs regarding EU environmental regulations for the automotive industry. The growing importance of Asian companies and the Asian context is reflected in several changes. As mentioned above, the new head of the EU2 office in Brussels spent three years in the company's Beijing government affairs office. Since the end of data collection, JP2 has been accepted as an ACEA member. This is a major shift for CPAs in Brussels considering the stir JP2 caused when it employed a former ACEA employee to start its European government affairs in the 1990s (Spell 2000, Rel12). This leaves the question open whether this has had or will have an effect on ACEA and its member companies in their CPAs due to JP2's different approach, particularly regarding environmental issues, discussed in the previous chapter. JP3 re-opened its representational offices after closing it for a couple of years. Furthermore, while neither the Korean association KAMA nor any of its members had any representational offices for the duration of this research, Hyundai has since opened
offices in Brussels. This change in the political landscape reflects and complements changes in the competitive environment, as mentioned above, through the emergence of Chinese, Indian and Korean manufacturers investing in established markets and/or European- and American-owned brands. This goes in parallel with the massive growth of emerging markets, which have become even more crucial to the car industry during the global financial crisis as established car markets, such as Europe and Japan, are only expected to deliver moderate growth following the recession (Economist Intelligence Unit 2011).

9.5 Recommendations and Concluding Remarks
In light of these discussions, certain recommendations and concluding remarks can be made. While suggestions for further academic research have been proposed, the findings are also relevant for practitioners on the three constituent sides of this research: on the basis of the analysis and the interviews with stakeholders (IVQs 10 and 11), the following recommendations are put forward.

The Civil Society side
This side constitutes the smallest stakeholder within the societal triangle. While some respondents were critical of the messages sent out by NGOs (EU3-A, AA1-C) as they tend to oppose the industry (Rel2, see also FT 2010), civil society is encouraged to be more positive towards the industry (US1-B) in acknowledging the complex reality of car production and the impact this has on environmental progress (US1-B, AA1-B).

For one respondent NGOs were not as strong as expected in Brussels as they seemed to work more on a member state level (AA1-A). This may be translated into a recommendation for both environmental and consumer organisations to step up their efforts at the EU level which, in general, are recognised and valued (EU2-A, NGO1-A). Furthermore, such NGOs have an important place to play in enhanced cooperation between industry, governments (European Commission), customers and users (AA3, NGO6). As civil society provides an important counterpart to industry and companies in CPAs, the work already undertaken by various organisations in Brussels, should arguably continue in this way to provide a critical and environmentally positive voice in policy-making for the car industry.
The State side

Recommendations for the state side revolve around one key theme, that of integration. Firstly, the approach to policy-making should be holistic and integrated within the car industry, which has several aspects to it, as discussed in the following. As was repeatedly pointed out in chapter 8, there are contradictory requirements between different regulations (e.g. JP1-A, Rel10, Rel12). It is important not to deal with one regulation in isolation from any other (AA1-C) but to balance requirements (EU1-A, EU2-A, EU3-B, EU6-A, US1-A, JP1-A, JP2-A, AA1-C, AA1-B):

Technically to win on every front, that is the Holy Grail, to get progress on all fronts. (JP2-A)

In order to avoid contradictory requirements, timing needs to be considered (US1-B, Rel10) and a perspective of the whole life cycle needs to be taken (MEP8). This is with regard to production, but also with regard to the life cycle of legislation which should include impact assessments of costs and legislative measures (AA1-C) and monitoring after their implementation (AA1-D, see alsoLenschow and Sprungk 2010). The principle of cost-effectiveness should arguably guide a fact-based and objective approach to policy-making rather than a political approach (AA1-B, AA1-D, US1-B, EU2-A) where objectives rather than means are set (EU3-B). Rational cost-benefit analysis would integrate the three objectives of environment, economy and society instead of playing them against each other (MEP13), e.g. jobs versus environmental protection.

In order to avoid contradictory requirements, clarity of legislation is paramount (AA1-D), which is particularly advocated by Japanese companies (JP1-A, JP2-B). Clarity is also advocated by this civil society respondent:

The car industry understands only one language and that is clear legislation. (NGO3)

An integrated approach for the industry in policy-making might also include better cooperation and integration between the Directorates Generals of the Commission who are responsible for automotive legislation, e.g. DG Industry and DG Environment, which have not always worked together in the best interest of the industry (Rel3, Rel4). Several market side respondents were concerned about the level of expertise in the Commission, especially a lack of engineers (AA1-B, AA1-D), and subsequent poorly written legislation (US2-A, AA1-B, AA1-D, Rel3). Furthermore, contract researchers who “move around” were also mentioned (AA1-D), which means that there is not much continuity of Commission personnel in
automotive legislation (US1-B). This translates into a recommendation for more engineers in addition to existing legal and economic experts in the Commission, and for more continuity of personnel working on automotive policy-making within the Commission.

For improved policy-making in cooperation between policy-makers, the Commission could furthermore provide layman's summaries so that MEPs do not have to rely on lobbyists to explain legislation to them (MEP11).

Secondly, the approach could integrate other industries who may contribute to environmental progress, too (US1-A, US1-B, AA1-B). Although the automotive industry is an easy target (US1-B, Rel14), one industry alone cannot address all environmental issues, which is why an integrated approach may be needed (AA3, Rel5), where also less visible sectors are included (US2-A).

Thirdly, an integrated approach to policy-making should arguably not only include the market side, it should also include civil society in terms of consumers. Consumers do not like to be regulated in general (EU5-B, NGO1-B), but policy-makers should not be afraid to do so (AA1-A, NGO1-B). This could avoid costs being borne only by industry (AA1-A, Rel5).

**The Market side**
While most recommendations are and were made with regard to the automotive industry, some recommendations may be made with regard to the CPAs of related industries on the basis of interviews. They seem to have a careful approach to CPAs as they cannot be seen to contradict their customers in the car industry (Com11) and therefore tend to be “kowtowed” in their communication (NGO1-B). In the long-run they could benefit from an environmentally proactive strategy such as JP2’s (NGO1-A) and there is hence an opportunity to speak up for these industries’ interest instead of being subservient to the car industry. Furthermore, as related industries can support the car industry in achieving more environmentally friendly vehicles, this message could be emphasised in their CPAs.

The car industry can learn from other industries, e.g. the oil industry, to be more effective, positive and adaptive in its CPAs, based less on emotions and more on facts (Com3, Com7, MEP9, EU2-A, Rel4, Rel9).

Concerning the political resources and competences that automotive MNEs use in CPAs, there needs to be a careful balance and mix of resources in terms of the form and content of CPAs. Content (technology, product range, firm-specific resources
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leading to SCA) is not communicable without form (human resources, reputation, credibility, continuity, i.e. social capital) and form without content is hollow. This means that personnel should be carefully chosen to foster relations with policymakers, to provide continuity and credibility. Furthermore, if human resources have the relevant expertise on legislation and on technology they will be able to communicate effectively the needs of the firms driven by their technology and product range. The size of the industry is also a strength that can be used as a resource in its CPAs (Rel4, Rel6, Com8), which should, however, be used sensibly (Rel1, Rel2, Rel11, Rel14).

Special emphasis was given to credibility as a resource, which is a resource the automotive industry is recommended to pay more attention to, especially considering its history of “crying wolf” and of being too pushy (Rel8, Rel9, Com4, MEP5, MEP7). There should probably be a greater willingness of the car industry to compromise (Rel6, MEP8) with respect to other stakeholders, be it related industries, policymakers or NGOs. Credibility could also be improved by providing continuity of personnel (US1-B) and by adapting to the culture in Brussels in order to be more effective (Com3).

Another area where recommendations may be made, which is related to credibility, concerns the communication of the industry (Com1, Com10). The car industry is heterogeneous and often struggles to cooperate and find a joint pro-active strategy (NGO4, EU6-A). The ability to communicate is crucial in CPAs and, arguably, the industry association should therefore speak with one voice in this respect (Rel6, Com10, NGO1-B). Furthermore, only one voice should be heard from each company – the bigger a firm becomes, the more individual divisions may have specific interests, which might negatively impact CPAs (MEP7). It is therefore of significant importance to improve communications between the representative offices in Brussels and headquarters: the importance of the CPA function needs to be promoted so that the “top people” recognise the importance of the political framework and the possibilities of influencing it as it is not an external factor but an endogenous factor which can be factored into strategy (MEP9, MEP7, AA1-A, AA1-E, US2-B). This means that social capital should be present in both its forms: in bonding form through improved communication within companies and within the industry, and in bridging form through improved communication with policy-makers by providing a joint industry voice on the basis of their strong network, i.e. bonding social capital.
Finally, in the area of environmental regulations and how these are viewed, the examples of JP1 and JP2 have shown that there are indeed opportunities for environmental leadership in regulations and that a positive outlook on environmental regulations can lead to better relations with policy-makers and can open ears, e.g. JP1 and the materials ban in the ELV directive. US1’s proactive approach was also noted. EU2’s positive relations and its credible and continuity-based approach were rewarded during the legislation on pollutant emissions where one standard was based on the company’s suggestion. A proactive, transparent and regular (i.e. continuous) engagement of industry with government is also recommended by McKinsey (2010). The car industry’s “biggest weakness” is that it is always hiding instead of being open with regard to environmental legislation (Rel12). Thus, environmental regulations may be taken as an opportunity to be less defensive and more proactive in improving the integration of the environmental aspect in their CPAs (Com1) with a positive attitude (Com12) as the industry is not only part of the problem but also part of the solution (Rel11). While the cost of technology is used by the industry as a factor against legislation, this is only in the short term, while in the long term there are opportunities on a wider scale and therefore the industry may integrate the long-term view of environmental legislation in order to become less reactive or defensive and more proactive in their CPAs, anticipating developments and developing concepts (EU1-B, Rel7, Rel12, Com5, Com8, MEP3, MEP6, MEP7, MEP13, NGO1-B, NGO5).

From all the tensions and repercussions the car industry and its companies has experienced in the discussed regulatory areas, important lessons can therefore be learned in how to apply a proactive and cooperative approach to CPAs. This is especially the case for environmental regulations which MNEs (not only) in the automotive industry may view more favourably as challenges and opportunities in order to improve their relations and interest representation with political institutions and therefore their reputation and credibility (i.e. social capital), and, as a strong industry, to contribute positively to the protection of the natural environment and thus to sustainable development.
References


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References


References


Appendices

Appendix A: Sources of Interviews and Documentation

Sources of Interviews
On the basis of the considerations in chapter 6 the following organisations were specifically identified and contacted for interviews:

From the government side

- the Commission’s Directorates General (DG) for environment (various units, e.g. Clean Air and Transport) and for industry (Automotive unit): present and former civil servants;
- the Parliament’s environmental committee: present and former members, other involved committees according to legislation (e.g. industry, research, energy).

From the market side:

- Automotive companies with liaison/government affairs office in Brussels: all members of ACEA (European Automobile Manufacturers’ Association); members of JAMA (Japan Automobile Manufacturers’ Association). Current and former employees working in government affairs, public affairs, European affairs, regulatory affairs, public policy (terminology varies). Companies without an office in Brussels but with links to JAMA.
- European automotive industry association ACEA. Staff responsible for investigated policy areas (pollutant emissions, CO2, recycling). Japanese automobile industry association JAMA (office in Brussels), Korean industry association KAMA (no office in Brussels). National automotive industry associations (e.g. SMMT in the UK, VDA in Germany), staff responsible for environmental issues.
- Related industries (associations and companies) as other stakeholders: Supplier industries: European Association of Automotive Suppliers (CLEPA), European Association of Metals (Eurometaux), PlasticsEurope, and European

From the civil society side:

- Environmental NGOs: European Environmental Bureau (EEB), Friends of the Earth Europe (FOE), Greenpeace, European Federation for Transport and Environment (T&E), World Wide Fund For Nature (WWF – European Policy Unit).

- Unions: European Trade Union Congress (ETUC), European Metalworkers' Federation (EMF)\textsuperscript{187}.


These organisations were the contacted primary sources for interview partners for this research.

**Documentation Sources**

The most important documentation sources are the same organisations that were chosen for interviews. These documents are termed secondary sources here in order to distinguish interviews as primary sources although in principle these could be considered as primary sources as well as they are from directly concerned stakeholders.

The secondary sources consist of the following:

- Government side (Commission, Parliament and Council of Ministers): communications, reports, legislative proposals, press releases, contributions to stakeholder consultation process, minutes of meetings (e.g. working groups), reports (parliament committees), adopted legislation, green papers, white papers, policy papers, speeches, staff working papers, web pages.

\textsuperscript{187} Despite repeated efforts to contact trade unions for inclusion in the data collection, these attempts were never answered.
Market side (companies and associations): annual reports, industry reports, environmental or CSR or sustainability reports (terminology varies), press releases, position papers and comments, newsletters, web pages.

Civil society (NGOs): reports, press releases, newsletters, workshop proceedings, position papers (including comments and letters to members of parliament), web pages.

Further secondary sources come from organisations or stakeholders not directly involved with the legislative process and include other international, European or national governmental or non-governmental institutions (e.g. in member states). These can again be in various forms, for instance contract research (e.g. for the European Commission or member state governments), formal studies, reports and evaluations of the regulatory areas, conference proceedings, mass media sources, academic publications and analysis of the policy areas.

Among the further secondary sources, the following organisations were identified: TNO Science and Industry, Institute for European Environmental Policy (IEEP), World Resources Institute (WRI), International Energy Agency (IEA), European Conference of Ministers of Transport (ECMT), Wuppertal Institute for Climate, Environment and Energy, Stockholm Environment Institute (SEI), FIA Foundation for the Automobile and Society, Centre for Automotive Industry Research (CAIR, Cardiff).

Mass Media sources with relevant coverage on the EU, environmental policies and automotive issues include the following: European Voice, Financial Times, ENDS Europe Daily, Just-Auto, Automotive Environment Weekly, Automotive World, EurActiv, eceee newsletter (The European Council for an Energy Efficient Economy). Furthermore, German and British broadsheet newspapers were consulted.

The majority of these sources are available online. Some of the mass media sources have restricted access (paid services) and thus the means to retrieve these sources for the thesis was through free trials, if necessary also repeatedly.

While semi-structured interviews and the majority of secondary sources were of qualitative nature, some of the consulted documents also included quantitative data, for instance included in reports.
Appendix B: Mapping of companies’ motivational factors for CPAs

Why do companies engage in CPAs?

- Positive Motivators
  - To influence
  - To reduce costs
  - To save time
  - To improve business
  - To develop business
  - To widen business
  - To save money
  - To increase efficiency
  - To gain competitive advantage
  - To increase productivity

- Defensive Motivators
  - To prevent the worst
  - To avoid setting
  - To prevent legislation
  - To stop legislation
  - To avoid legislation
  - To reduce legislation
  - To postpone legislation
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- Predictability and Fairness
  - To be a good corporate citizen
  - To support policy-makers
  - To work for the best solution
  - To make a positive contribution to society
  - To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- Business Interest
  - To influence
  - To prevent the worst
  - To avoid setting
  - To prevent legislation
  - To stop legislation
  - To avoid legislation
  - To reduce legislation
  - To postpone legislation
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- Information and Communication
  - To influence
  - To reduce costs
  - To save time
  - To improve business
  - To develop business
  - To widen business
  - To save money
  - To increase efficiency
  - To gain competitive advantage
  - To increase productivity

- Early Relevant Industry
  - To influence
  - To reduce costs
  - To save time
  - To improve business
  - To develop business
  - To widen business
  - To save money
  - To increase efficiency
  - To gain competitive advantage
  - To increase productivity

- Process Legislation
  - To influence
  - To reduce costs
  - To save time
  - To improve business
  - To develop business
  - To widen business
  - To save money
  - To increase efficiency
  - To gain competitive advantage
  - To increase productivity

- Legislation Costs Money
  - To influence
  - To reduce costs
  - To save time
  - To improve business
  - To develop business
  - To widen business
  - To save money
  - To increase efficiency
  - To gain competitive advantage
  - To increase productivity

- Product Portfolio
  - To influence
  - To reduce costs
  - To save time
  - To improve business
  - To develop business
  - To widen business
  - To save money
  - To increase efficiency
  - To gain competitive advantage
  - To increase productivity

- Certainity
  - To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- Regulatory certainty
  - To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- Technical
  - To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- Global level
  - To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- To adapt
  - To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- To compete
  - To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- To guarantee
  - To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes

- Competitive equality
  - To provide clients
  - To ensure stability
  - To ensure future
  - To prepare for the future
  - To secure economic
  - To anticipate economic impact
  - To balance requirements for investments
  - To ensure stability
  - To keep state away from market processes
Appendix C: Photograph of ELV files in EP

The assistant of the MEP who was the responsible ELV rapporteur worked directly with the industry during the debate and allowed the author to photograph the files for the directive – the files on the top shelf displayed below were the remaining ones after two office moves and clearances, thereby demonstrating the scale and complexity of the discussions (Altauto-RL = ELV directive).