

**Corporate Political Activities of Multinational  
Enterprises in the European Union –  
The automotive industry and environmental regulations**

**Sigrun M. Wagner  
Loughborough University  
Business School**

**12 October 2007**

**33<sup>rd</sup> European International Business Academy (EIBA) Annual Conference  
2007, Catania, December 13-15, 2007**

**Correspondence:  
Ashby Road  
Loughborough LE11 3TU  
United Kingdom  
Tel. +44 1509-223239  
E-mail: S.M.Wagner@lboro.ac.uk**

## **Abstract**

The paper investigates government relations of multinational companies (MNCs/MNEs) of the automotive industry in the European Union (EU) in the area of environmental regulations. Three areas of literature provide the background for the study: international business (MNE-host government relations), strategic management (corporate political activities - CPA) and political science (lobbying, interest representation). The conceptual framework is based on the resource-based theory (RBT), adapted to the political context in order to investigate how corporate political activities differ between multinational enterprises from the three Triad regions (Europe, North America, Japan). The methodology used for this research is the case study approach. Data are based on documentation and extensive interview research with stakeholding organisations from the “societal triangle” (market, state, civil society). Three cases of environmental regulations for the automotive industry are investigated: carbon dioxide (CO<sub>2</sub>) emissions, pollutant emissions and end-of-life vehicles. The research as part of a doctoral dissertation is still in progress; hence only preliminary findings will be presented. The paper finishes with conclusions, an outlook for future research and a possible recommendation.

**Key Words:** Corporate political activities, government relations, environmental regulations, European Union, resource-based theory, political resources, automotive industry

## Introduction and Literature Background

The following paper deals with corporate political activities of multinational companies in the European Union regarding environmental regulations for the automotive industry. In this specific combination, the research covers several important aspects of the EIBA 2007 track No. 7 on *Corporate Governance, Ethics and Sustainable Development*:

- MNCs' *interaction with stakeholders*: interaction and government relations of MNCs with the European Union institutions;
- The *environmental dimension* and impact of MNCs: focus on environmental regulations as attempts to mitigate the impact of MNCs on the natural environment;
- *Global issues*: two of the three chosen cases deal with CO2 emissions (global warming/climate change agenda) and air quality (global/public health issues).

As MNCs impact on the environment through their activities (e.g. producing and selling potentially polluting products), they are subject to environmental regulations in order to alleviate these negative externalities on the environment. These rules in turn, may affect their costs and profits. The justification for government relations and corporate political activities lies in these influences and effects government policies have on enterprises. CPA take place via the public affairs or government relations functions of MNEs.

Three areas of literature provide the background for this study. (a) The first area is the *International Business* (IB) literature on MNE-Host government relations. According to Boddewyn and Brewer (1994: 137), political behaviour is intrinsic to international business as crossing borders means introducing companies into other sovereignties. Boddewyn (1988) criticises previous work in the area for being biased towards an economic viewpoint, taking government policies as givens, which may not be internalized by MNEs. He emphasises that even though MNEs' goals might still be economic, they can use political means to achieve economic ends. Blumentritt and Nigh (2002) point out that "business-government interactions are a complex function for multinational corporations" (2002: 57). They strongly argue for a better integration of the IB and CPA literatures, 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).

(b) The perspectives of *Strategic Management* on Corporate Political Activities (US-American focus) is another component of the underlying framework. The literature on CPA focuses on how corporations manage their political environment. (c) The stream of literature of *Political Science* on lobbying and interest group representation (EU emphasis) is included due to the fact that the traditional scope of research into business political behaviour and corporate political activities rarely goes beyond US borders as Boddewyn and Brewer (1994) lament. Moreover, the Political Science literature provides important insight into the European Union as political entity, which is distinct from any single country<sup>1</sup>.

The focus in the IB literature on business-government relations tends to be on business-host government relations. In practice, however, MNEs face home governments as well as host governments. The European Union as a political entity with state-like features (Grant, 1993) diffuses the traditional borders between domestic and international business, as it is home and host country for European multinationals at one and the same time. For American and Japanese MNEs, the EU institutions are host governments although subsidiaries portray themselves as distinct European or national firms (e.g. Opel in Germany, subsidiary of US-based General Motors, interview October 2006).

Regarding the terminology of this area, “corporate political activities” will be the main term used; “government relations” or “interest representation” will also be used. Corporate Political Activities are defined by Getz as “any deliberate firm action intended to influence governmental policy or process” (Getz, 1997). However, in order to capture the continuous nature of government relations, here the term will also include activities that keep relations with governments on an ongoing basis as a pre-condition for influence.

As the communication of information and positions to policy-makers by representatives of societal or corporate interests, interest representation constitutes three basic citizen rights in democracies and thus a legitimate

---

<sup>1</sup> For overviews of these two streams of literature, see Hillman, Keim, and Schuler (2004), and Pedler (2002).

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).

The corporate function responsible for corporate political activities is mostly the public affairs function where government affairs are one of their important activities (other activities include issues management, public relations, community affairs, Marcus et al., 1987). Other terms used for this function are regulatory issues, public policy, or external affairs or relations.

The general increase in environmental regulations has been attributed to society's concern over negative environmental impacts of business activities (Rugman and Verbeke, 1998). The choice of the European Union as context for studying firms' attempts to influence environmental policy may be regarded as fitting, because the EU is often seen as the most progressive region when it comes to environmental issues.

Environmental regulations in the European Union have grown immensely in number over the past two decades and pose new challenges for policy-makers and industry. Areas generally covered under environmental legislation include waste, noise, air, soil, nature, water, and chemicals (DG Environment, 2007, Krämer, 1997). 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).

In the European Union, automobile companies are subject to a whole range of (not only environmental) regulations – regulations specifically designed for the automotive industry as well as regulations more generally for business and other industrial sectors. Consequently, there is a tradition of interest representation of the automobile industry in the EU (see Spell, 2000, Mazey and Richardson, 1993, McLaughlin and Jordan, 1993), and currently, all mass car producers have representative offices in Brussels. As all major car companies operate, i.e. not only sell but also produce, in the Union, it is possible to compare MNCs from the three Triad regions of Europe, North America and Japan in one single location, exemplified by the so called capital of the EU - Brussels. Combined with the fact that the industry 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, this makes the world's largest manufacturing industry (Nieuwenhuis and Wells, 2003) a suitable industry for investigating corporate political activities of MNCs in relation to EU environmental regulations.

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 are rarely addressed, however, in a business context, although this is becoming increasingly important:

“It is important because business and industry are the key to moving society towards more sustainable economic activity”  
(Nieuwenhuis and Wells, 2003: 4)

The issue areas chosen as environmental regulatory cases for the automotive industry are recycling (End-of-life vehicles - ELVs), global warming (Carbon Dioxide - CO<sub>2</sub> emissions) and pollutant emissions (Euro Norms). These will be introduced further in the section on methods and material.

The main assumption of the paper follows from the resource-based theory (RBT) 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 (i.e. they cannot be transferred between firms without costs). The paper's assumption transfers this hypothesis into the field of political strategies: Firms differ in their political strategies and activities due to different competitive strategies and resource endowments. As the RBT is a theoretical framework that is used to explain differences between companies in a competitive environment (Hoopes et al., 2003: 897) it will be used as a framework to investigate firm differences in a political environment. The paper aims to answer the central research question how do corporate political activities of multinational enterprises in the automobile industry differ in the European Union. This also involves asking whether it can be deduced from different competitive (business) strategies that political strategies differ as well (thus asking why do corporate political activities differ) and whether multinationals' competitive business strategies and their political strategies are integrated, i.e. are in line with each other or whether these are two separate areas (see also Baron, 1995).

The paper is structured in the following way: conceptual framework, methods and material, presentation and discussion of preliminary results, and conclusion with an outlook.

## **Conceptual Framework**

The emergence of the resource-based theory of the firm has been one of the main developments in recent international business and strategic management research, with Wernerfelt (1984) and Barney (1991) at the forefront (Peng, 2001). This strand of management theory focuses on the internal mechanisms explaining firm performance (Sadrich and Annavarjulia, 2003). In the strategy literature it has served as the dominant explanation for firm differences (Hoopes et al., 2003).

The principle focus in the theory is on firm resources contributing to sustainable competitive advantage. In order to be a basis for sustainable competitive advantage, resources need the following characteristics (Moon and Lado, 2000, Barney, 1991): valuable, rare, imperfectly imitable, nonsubstitutable, or as Oliver (1997: 698) puts it:

“... scarce, unique, inimitable, durable, idiosyncratic, nontradeable, intangible and nonsubstitutable”.

Furthermore, an elemental assumption of the theory is that resources need to meet the conditions of heterogeneity and immobility to exhibit the mentioned characteristics. Penrose (1959: 75) – an important precursor of the theory – 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” (1959: 75). Among the required resource characteristics leading to uniqueness and competitive advantage, inimitability is a crucial factor as it inhibits other firms from obtaining valuable and rare resources. Imitation of innovations, for example, threatens the sustainability of competitive advantage (Rumelt, 1984, 1987). Barriers to imitation such as causal ambiguity<sup>2</sup>, social complexity and unique historical conditions make resources imperfectly imitable. They exist when rivals cannot understand the

---

<sup>2</sup> This occurs when the underlying causal link between resources and sustained competitive advantage is unclear.

competencies and capabilities on which competitive advantage is based (Fiol, 1991).

Boddewyn and Brewer (1994) criticize the resource-based theory for only looking at economic and organizational competences of firms, not at political capabilities. Moon and Lado (2000) point out that research of the MNE-Host government relationship has not used insights of the RBT. The research introduced here will use the theory to scrutinize political resources in the context of MNE government relations, specifically in the EU arena. Furthermore, resource-based-view-oriented strategists take the non-market environment as exogenous and neutral (Boddewyn, 2003), whereas a central assertion of the research posits the non-market environment as endogenous to corporate strategy. This could therefore lead to an extension of the theory to include non-market factors into corporate strategy.

The RBT has been used in studies of corporate political activities mostly in the United States (e.g. Hillman and Hitt, 1999, McWilliams et al., 2002). Nonetheless there is room for extension, especially with regard to the EU, which is a particular political setting, very distinct from the US. The RBT is thus tested and explored in a new context. It is expected that the theory can explain differences in CPA due to its emphasis on internal firm-specific resources.

Resources can be categorised as following: financial resources, physical resources, human resources, technological resources, and organizational resources (Grant, 1991).

Dahan's (2005) typology of political firm resources consists of the following: expertise, financial resource, relational resource, organizational resource, reputation with other non-market actors, public image, support of stakeholders, recreational skills. This typology forms part of the basis for the interview guide as discussed in the next section.

< Figure 1 to be included about here >

Figure 1 illustrates the focus of the research, which is how firm-specific political resources are directed into corporate political activities. Apart from firm-specific



political resources, other moderating influences on political activities are the context of the industry, and the context of country or region. In the RBT, the main objective of companies is to attain (sustainable) competitive advantage. As political activities might not necessarily lead to competitive (market) benefits, but to legislative advantages, the paper also uses the term political (non-market) advantage, thus illustrating the RBT's application in a different context. One example of political advantage is the reputation a firm has or enjoys among policy-makers, which makes it more likely for decision-makers to trust this firm's expertise and information provided through its interest representation. Other examples of legislative or political advantages include the reduced uncertainty of impending legislation and the prevention of regulations altogether.

### **Methodology and Material**

The research employs a case study approach to explore the corporate political activities of the major automobile manufacturers active in the European Union. The case study methodology is most appropriate as the relations among the actors and their context is complex. Case studies can offer the breadth and depth of information for descriptive, causative, and inductive analysis to be performed (Eisenhardt, 1989; Miles and Huberman, 1984, Yin, 1994, cf. Levy and Rothenberg, 1999).

Shaffer (1995) emphasises the strength of case study approaches to the investigation of corporate political activity, which comes from their potential qualitative nature, and the use of longitudinal designs. In particular, case studies, he argues, account better for political behaviour on specific policy issues. He also acknowledges the classic limiting problem of generalizability.

The case study method offers the opportunity to consider the cases in a longitudinal perspective instead of only a snapshot of a present point in time as would probably a more quantitative approach (see Schofield, 2002). The case study as applied here is of longitudinal nature as the regulatory areas looked at – end-of-life vehicles, CO<sub>2</sub> emissions, and pollutant emissions – unfolded over time. As the policy process in the European Union can take years from proposal

to adoption of legislation<sup>3</sup>, the longitudinal element is important and may thus advocate a case study approach.

Corporate political activities are a contemporary phenomenon in a real-life context, where a case study strategy can offer benefits (Yin, 1994). One of the strengths of the case study approach is to handle a variety of evidence (Yin, 1994): as corporate political activities are often seen in a critical light (keyword “lobbying scandals”) it is important to not only collect data from companies but also from other stakeholders (the “lobbied” European institutions and other stakeholders and observers like non-governmental organizations and possibly supplying industries). This is only possible with a case study, which allows for a multi-method approach that uses triangulation. Triangulation is

“[t]he 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)

Figure 2 demonstrates how triangulation of sources comes to play in the context of this paper. It is based upon Van Tulder and Van der Zwart (2006)<sup>4</sup>. Investigating corporate political activities from different sides will give a more holistic representation of the complex reality involved in how firms respond politically to environmental policy-making. As well as sources, methods will also be triangulated by using documentation in addition to interviews.

< Figure 2 to be included about here >

The documentation for this research consists of documents from the chosen stakeholder organisations (Automotive companies and European industry associations, European Commission and Parliament, non-governmental organisations) as well as from outside organizations and institutions (mass media, academic assessments).

The semi-structured interview is both flexible and standardized at the same time (Gillham, 2000). The standardized or structured element is important in case

---

<sup>3</sup> In the case of the End-of-life vehicles directive it took more than three years between the publication of the European Commission proposal and the final adoption of the directive by the European Parliament and the Council of Ministers.

<sup>4</sup> Mezmar and Nigh (1993: 32) use a similar graphic, calling it “social contract framework”.

study research involving multiple cases in order to ensure cross-case comparability (Bryman and Bell, 2003). According to Gillham, the semi-structured interview

“(…) is the most important form of interviewing in case study research. Well done, it can be the richest single source of data.”  
(2000a: 65)

The main advantage of interviews is that they are collected for a particular project or specific study at hand (Ghauri and Grønhaug, 2005). Yin (1994) underlines this targeted focus directly on a case study topic as a strength of interviews.

Gillham (2000) supports the use of interviewing when material is sensitive in character, which is certainly the case with business-government relations. This means that trust is involved and people might disclose things face-to-face, which they might not disclose in anonymous questionnaires (ibid.). Furthermore, terminology – if misunderstood – can be clarified directly.

Three cases were chosen as a basis for comparison. Eisenhardt (1989) advocates choosing cases such as extreme situations or polar types. The cases 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 CO<sub>2</sub> and pollutant emissions are in principle not compatible as reductions in pollutant emissions lead to increased fuel consumption and thus CO<sub>2</sub><sup>5</sup>. Similarly, reductions in CO<sub>2</sub> require lighter vehicles, whereas increased recycling rates for end-of-life vehicles (ELVs) require higher contents of steel – easier to recycle than plastics – thus resulting in heavier cars and higher CO<sub>2</sub> emissions. A ‘strategy of diverse sampling’ (Eisenhardt, 1989: 537) was thus followed to cover a broad range of environmental regulations for the automotive industry.

Yin (1994) 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” (Yin, 1994: 45). Furthermore to the trade-offs discussed above (where the cases are in a way complementary so that differences are better seen), it can be added that the ELV directive is the first case of its kind, the CO<sub>2</sub>

---

<sup>5</sup> See also Keay-Bright, 2000: 36.

case serves as the only voluntary agreement in the automotive sector, and the Euro Norms on pollutant emissions consist of a series of directives that were successively tightened.

The chosen organisations and interview partners were selected according 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. They were identified as stakeholders by investigating the 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 cases. Furthermore, the author was given recommendations by interviewees and by contacted interview partners who were not available for interviews.

On the basis of this, the following organisations were specifically identified for interviews:

From the government side:

- The Commission's directorates general (DG) for environment (various units, e.g. Waste, Clean Air and Transport) and for industry (Automotive unit)
- The Parliament's environmental committee, other concerned committees according to legislation (e.g. industry, research, energy).

From the market side:

- Automotive companies with liaison/government affairs office in Brussels
- European automotive industry association ACEA; Japanese automobile industry association JAMA; National automotive industry associations (e.g. SMMT in the UK, VDA in Germany)
- Adjacent/related industries as other stakeholders: Supplier industry, Petroleum industry, Recycling industries.

From the civil society side:

- Environmental non-governmental organisations involved in relevant issues
- Consumer organisations.

These organisations also provided the main source for documentation in the form of reports, communications, legislative proposals, stakeholder consultations, and press releases. Other sources here included mass media, specialist media (environment, automotive), contract research and academic publications.

Interviews were conducted in two main stages: two research excursions to Brussels – as home to the EU institutions – in June 2006 and March 2007 provided the main basis. Furthermore, a research visit to Berlin in Autumn 2006 provided the opportunity to speak to experts of Europe's biggest automotive producing country, Germany. In addition, telephone interviews were conducted in spring and summer 2007 with individuals not or no longer based in Brussels.

Between the two main stages, the experience of the first stage was taken into account to modify the suitability of the approach. This included for example a change of terminology when contacting potential interviewees from “corporate political activities of multinational enterprises” to “government relations of multinational enterprises” as it had become apparent that the term CPA was rather used in academic than practitioner circles. Furthermore CPA seemed to be seen by interviewees as potentially carrying negative or contentious connotations (“political”) in contrast to the more neutral term “government relations”. Whereas the first stage of interviews only regarded the case of the voluntary CO<sub>2</sub> agreement between the European Commission and carmakers, the subsequent interviews included the two further cases on pollutant emissions and end-of-life vehicles. Although the CO<sub>2</sub> 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<sup>6</sup>.

Interviews were partly recorded digitally, and partly recorded by hand-written notes. Notes were taken due to the potentially sensitive nature of the issue.

---

<sup>6</sup> This is exemplified by the following statement the author received via email 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 a discussion for the time being. Any misinterpretation at this stage may damage the auto industry in Europe and, result in regulatory measures targeting CO<sub>2</sub> ahead of 2008/2009, whether at EU or Member States level.”

However, when interviews were recorded, this did not seem to play a role and consequently the author continued to tape the discussions. This made the interview more flexible as one could better react to the responses of interviewees, and potential information loss through insufficient notes could be avoided. A small device (MP3 Digital audio player) was used instead of a tape recorder, in order to be less distractive. Interviews lasted between 15 minutes (telephone interviews) and 2 hours with the majority ranging between 30 and 60 minutes. Interviews were mainly conducted in English; interviews with German interviewees were conducted in German with subsequent translation into English.

Interview guides were discussed with several academics and received minor modifications after the first stage of data collection. The following list shows the general guide, which was adapted according to interviewees' organisational background (which institutions, which cases covered, availability, time constraints).

#### GENERAL questions on government relations

- Motivational factors
- Approach, Strategy
- Tactics and instruments

#### ASSOCIATION V FIRM level

- Coordination, Cooperation, Competition
- Preference for policy-makers
- Resources and competences (Personnel, Expertise, Organisation, Learning Processes)

#### EUROPEAN V NATIONAL level

- Experiences
- Relations Headquarters v Brussels
- Producer Regions Europe, North America, Japan

#### ENVIRONMENTAL regulations

- Interests and Positions
- Euro norms

- CO2
- End-of-life vehicles

## ASSESSMENT

- Strengths
- Weaknesses
- Overall.

Miles and Huberman (1994) define data analysis as three linked sub-processes: data reduction, 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 overprescriptive way (Coffey and Atkinson, 1996). For data analysis the techniques suggested by Miles and Huberman (1994) will be followed. These include a range of devices such as graphs and tabular displays to manage and present qualitative data “without destroying the meaning of data through intensive coding” (Eisenhardt, 1989: 534). The process involves the coding of data, within-case and cross-case analysis. As the analysis process is still in progress, the following section can only present preliminary findings in form of interview extracts.

## **Preliminary Results and Discussion**

In total, 73 interviews were conducted for this research as part of a doctoral research project. Between 130 and 140 potential interviewees were contacted, resulting in a response rate above 50%. Considering the contentious nature of the subject, this is considered a very high response rate. The controversy of the topic was underlined by the request of several interviewees not to be quoted, their statements only to be used as background information, or to use “journalistic techniques” in order to disguise the source of information.

Figure 3 displays the distribution of interviewees among the stakeholder organisations.

< Figure 3 to be included about here >

Interview partners were either involved in one single case (e.g. European Commission desk officer for particular piece of legislation), in two cases (e.g. CO2 emissions and pollutant emissions as observing environmental organisation) or all three, i.e. environmental regulations or regulations in general (e.g. company representatives in Brussels). It was ensured that within all sides of the societal triangle (state, market, civil society), interviewees were found for all three cases. Furthermore, with Members of the European Parliament (MEPs), attention was paid to talk to members of the four biggest groups (EPP, SPE, ALDE, and Green<sup>7</sup>). The companies that were contacted included BMW, DaimlerChrysler, Fiat, Ford, General Motors (mainly Opel in Europe), PSA (Peugeot-Citroën), Renault, and Volkswagen (all ACEA members); Honda, Nissan, and Toyota (JAMA members); and Hyundai (KAMA member)<sup>8</sup>. Nissan and Hyundai have not been available for any discussions. As their market share in Europe averages approximately 2% each (ACEA, 2007), this is not significant. More significantly, however, the two French companies PSA and Renault, whose combined market share is above 20%, have not been willing to discuss their government relations. Thus France, as a significant manufacturing country in the automobile industry, is not represented in the sample. Despite various attempts via e-mail and telephone, both in English and in French, and despite reassurances for anonymity and confidentiality, polite requests for interviews have either been turned down or been ignored. A general suspicion towards outside requests from researchers might be the reason for this, which was reflected by one interviewee who described the climate in the area of public affairs/government relations within the industry as following:

“The people who are in it, they are wound up in these things. It's a climate where they think of plotting against us, it's an exaggeration, it's not plotting, but inside the industry the people get paranoid and see threats and monsters everywhere.”  
(Brussels expert, March 2007)

---

<sup>7</sup> Group of the European People's Party (Christian Democrats) and European Democrats, Socialist Group in the European Parliament, Group of the Alliance of Liberals and Democrats for Europe, Group of the Greens / European Free Alliance. These make up four fifths of the whole assembly (640 of 785 seats).

<sup>8</sup> ACEA— Association des Constructeurs Européen d'Automobiles (European Automobile Manufacturers' Association), JAMA-Japanese Automobile Manufacturers' Association, KAMA-Korean Automobile Manufacturers' Association.



According to a number of interviewees, national sensitivities play a significant role in this area. National peculiarities and backgrounds also proved to be a major source of differences in companies' corporate political activities. These differences were manifest mainly between European producers. The European subsidiaries of the American firms Ford and General Motors were very much regarded as European firms in this context. This is in contrast to the subsidiaries of Japanese enterprises which are still distinctly Japanese and which also shows in their approach to interest representation<sup>9</sup>.

With regard to the three cases examined it will be briefly discussed how the differences in interest representation manifested themselves.

*The Air Quality Agenda and the "Euro Norms" on Pollutant Emissions*<sup>10</sup>: As these norms have been successively tightened, starting with the introduction of the catalytic converter in the 1980s and the Euro norms in the 1990s (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<sup>11</sup>), these have had a history of tensions. These were along two lines. Firstly, on the one hand, French producers (and French governments) trying to politically push the lean-burn engine whereas on the other hand, German producers argued for the catalytic converter (three-way). The latest tension in this area has been the debates about the diesel particulate filter. Secondly, economically strong versus economically weak producers: for economic viable companies, the fitting of an additional piece of equipment such as a catalytic converter or a particulate filter does not pose as great a problem as for financially struggling firms. Similarly, for producers of small cars, the costs of fitting an extra piece of kit to a car are proportionally higher than for producers of bigger cars. This distinction also plays a considerable role for the second case.

---

<sup>9</sup> Japanese companies account for 8% of total EU vehicle output (JAMA, 2006), and their market share rose from 11% in 1999 (JAMA, 1999) to ca. 14% market share in 2006 and 2007 (ACEA, 2007). The difference between output and market share is due to exports from Japan into the EU.

<sup>10</sup> Regulating tail pipe emissions like carbon monoxide (CO), Hydrocarbons (HC), Nitrous Oxide (NOx) and particulate matter (PM).

<sup>11</sup> The standards came into force in the following years: Euro 1 – 1993, Euro 2 – 1996, Euro 3 – 2000, Euro 4 – 2005, Euro 5 – 2009, Euro 6 – 2014 (Dieselnet 2007).

*Voluntary Emission Reductions: The Climate Change Agenda and CO2 from Passenger Cars:* Similarly to pollutant emissions, there has been and there is again a rift between German as well as French and Italian producers. When the voluntary agreement was discussed in the 1990s, the French producers argued for a target expressed in grams per kilometre (140 g/km), whereas the German producers argued for a target expressed in relative terms (25% reduction). A relative target would have put the German producers of rather large, heavy and luxury cars at an advantage (These have higher CO2 emissions which are directly related to fuel consumption and thus vehicle weight). Similarly, an absolute target would have and has benefited French and Italian producers of rather small cars, who will be able to meet the 130g/km target for 2012 proposed by the European Commission in February 2007.

*End-of-life Vehicles: The Waste Reduction Agenda and Scrap Cars:* The main differences in terms of interest representation here were rather not on national lines but more in terms of mass producers (Volkswagen, Ford, General Motors, French and Italian producers) who would be hit by free take-back policies for scrap cars versus producers of luxury cars, whose cars simply do not end up as waste in the EU as they are exported from the EU to non-EU countries or become vintage cars and collectors' items. As a consequence this was rather an intra-national issue within Germany with Volkswagen as the biggest producer and with the largest vehicle stock on the roads in the EU and companies like BMW, Daimler-Benz and Porsche whose high-end range vehicles rarely end up as waste.

These differences were recalled by two interviewees in Brussels:

"We feel that the automobile industry has not unanimity inside, e.g. 120g CO2 per km. The French say yes, the Germans say no." (source in Brussels)

"So there's a national European tension inside ACEA, a constant struggle between French and Germans, the Italians are too weak, they fall behind the French." (source in Brussels)

"And still you see quite a nationalistic flavour to that so you will see each member state tending to reflect the interests of the OEMs based in their territory." (source in Commission)

Overall, it seemed that especially the French producers and, to some extent, the Italian producers were very much using their own governments to pursue

their own strategies, who were protecting their “national champions”. For the German producers, such industrial policies were weaker, although the closeness of Chancellor Schröder to the car industry, especially Volkswagen, did play a great role in delaying the end-of-life vehicles directive<sup>12</sup>. On the other hand, the once Swedish producers<sup>13</sup> and government showed a more distant and objective approach: during negotiations for a particular piece of legislation, the Swedish government was accused by the French government of protecting the interests of its automobile industry, when in fact the Swedish side had not even spoken to its indigenous producers about this (interview with Brussels expert, March 2007). With regards to the Japanese producers in the EU, it has to be mentioned that, although the Japanese association JAMA does have an office in Brussels, it is not very vocal – it acts rather carefully and tends to follow the line of ACEA, the European association. Two of JAMA’s member companies show rather different approaches: Honda takes a very factual approach and only becomes active when there are objective technical concerns with proposed legislation. Toyota was pointed out as positive example by numerous interviewees of all three sides for taking a proactive and positive stance especially with regards to environmental regulations in its interactions with policy-makers.

These differences in CPA have thus their basis in the different countries of origins<sup>14</sup> on the one hand and on the other hand in different product portfolios.

In the following, some of the more general preliminary findings (regardless of which case of environmental regulation) will be presented along the order of the interview schedule. These will focus on motivational factors, resources and competences as well as position on environmental regulations. The interview extracts have partly been condensed as similar responses were given by several interviewees. The analysis is still ongoing; hence the quotes in the following represent initial findings.

---

<sup>12</sup> Before Schröder became federal chancellor, he was prime minister of the federal state of Lower Saxony, which is a privileged shareholder in Volkswagen (“golden share”). His intervention in the directive after the political agreement through environmental minister Trittin was widely criticised, especially as Germany held the EU presidency at that time.

<sup>13</sup> Saab and Volvo have been under the ownership of General Motors and Ford respectively since the late 1990s.

<sup>14</sup> See also paragraph on national business systems in the conclusion.

Interviewees' answers to the question regarding the main **motivational factors** for firms and industries to engage in government relations indicate the significance and importance companies ascribe to their political environment as an influence on their market activities. This is demonstrated in the following sample of interview answers from various sources.

Replies from *companies and associations* emphasise the impact of regulation on corporate activities, the business case, the provision of information to legislators, being informed about regulatory developments, and making legislation favourable:

"Future law could impact the design of products" (company representative)

"Interest representation of companies – to make legislation appropriate and according to aspects of economic growth." (related industry association)

"To influence legislation positively in order to safeguard business and to provide expertise to civil servants and members of parliament who don't have detailed know-how about regulatory details" (company representative)

"A: to be informed and B: to prevent the worst, that is, to point out issues in order to aim for consistent legislation" (company representative)

"to obtain legislation which is as favourable as possible to industry and individual businesses, trying to ensure the legislative process is favourable" (related industry association).

"To provide expertise, right information in order to cater for correct decisions" (company representative)

"The industry is very regulated and thus companies want their interests to be taken into account by governmental bodies." (related industry association)

"In the run-up to political decisions one needs information of what is to expect in order to either make arrangements or to develop a strategy how to include your interests in the process" (company representative)

"To be a good European corporate citizen" (company representative of Toyota)

Answers from *Commission* sources mention the business case (containment of costs) but also emphasised the public relations element of government relations and the importance of predictability:

"The first is to protect the interest of the industry and the second is to promote the interests of the industry. Those are the main

motivations. 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, the Commission, NGOs, permanent representations, consumers, media, other." (source in Commission)

"The first factor is containment of costs: directly, to avoid expensive technologies; indirectly, to influence the structure of regulations; the second factor: to open markets." (Commission official)

"Cost and predictability of planning new products, they are sort of related factors, but, ultimately what we do results in higher cost and so that's obviously an important factor for the industry." (Commission official)

Replies from sources in the *European Parliament* mention the avoidance of legislation as reason for companies to engage in political activities as well as the reduction of legislative density in addition to the aforementioned cost factor:

"To reduce regulatory density." (Former Member of the European Parliament - MEP)

"One of the most intensely regulated industries, they are well advised to observe the regulatory framework. (...) The implementation of legislation causes costs, and then it is in their natural interest to lessen these costs" (current MEP)

"To keep costs down and to avoid legislation" (Advisor to Green group in EP)

"The best is to avoid a law and if that doesn't work, to influence it in a way that one's own interests are guarded, that is their motivation" (Advisor to Green group in EP)

Answers from *environmental non-governmental organisations* (NGOs) add the creation of a level playing field and the avoidance of regulation in principle to the motivational factors for multinationals to engage in relations with policy-makers.

"To keep those damned politicians off our backs." (T&E – European Federation for Transport and Environment)

"To avoid regulation politically as a matter of principle." (WWF EPO – European Policy Office)

"To create a level playing field." (WWF - EPO)

"The main motivation is two-fold I suppose, the first is to minimize costs, the second is to provide clarity." (ex-T&E)

Interview questions to what kind of **resources and competences** companies and associations use in their corporate political activities or government relations are based on Dahan's (2005) typology and included human resources

and expertise, financial resources, relational resources, organizational resource, reputation with other non-market actors, public image, support of stakeholders as well as recreational skills. These will in turn be presented with sample quotes.

### *Human resources and Expertise*

The role of human resources, i.e. personnel and their expertise, is demonstrated in the following answers:

“Human Resources are important. People are doing it, they need to be an expert in their activity, the expertise is not easily required and not readily evident.” (interviewee from Toyota)

“They have specialists and generalists – they put in a lot of effort.” (current MEP)

“Politics is people business and quality experts are crucial resources in external affairs.” (current MEP)

“They have people who specialise in government relations plus a technical background.” (Commission official)

“The automobile industry has a strong technical background and thus good opportunities to position its interests in political discussions.” (current MEP)

“It is very important that the person who deals with the topic, knows what he’s talking about, and can communicate complex, technical interrelations and where I have the feeling, he is telling the truth.” (current MEP)

“With technical details we fly in experts from headquarters” (company representative)

“Their technical experts and expertise is usually good. The Commission is quite dependent on industry information when it comes to technical data.” (advisor to Green group in EP)

“Technical expertise is the basis, it is a core competency, otherwise we are not relevant for dialogue partners” (company representative)

“It is very much learning by doing, when a technical expert comes to Brussels, they have to learn how to present technically complex details in simple laymen’s language” (company representative)

“The people here come from two different backgrounds, 1<sup>st</sup> with heavy experience in the automobile industry and 2<sup>nd</sup> experts in European affairs” (related industry association)

“It’s learning by experience, within two years you’re not efficient, there is no school to address regulatory business, with technical studies very little is said about regulation” (related industry association)

The crucial importance of human resources and thus the people engaged in the actual interest representation is emphasised in relation to two more resources:

#### *Reputation and public image*

“Reputation with political actors is absolutely crucial. You get access because people are interested in learning from Toyota, not me personally.” (company representative of Toyota)

“The reputation of General Motors, we have a reputation of being quite helpful, we help the civil servants and members of the parliament to understand the technical issues, we invite them to plants” (company representative of General Motors)

“Reputation? I think they pay more attention to it than before.” (Commission official)

“The reputation of the company as well as of your own personality play a role.” (company representative)

“Reputation plays a big role, credibility is the strongest capital.” (company representative)

“It’s not the brand image, but the way they interact with policy-makers.” (Commission official)

“In terms of the companies [image and reputation] not very much, but in terms of the individuals.” (source in Commission)

“So reputation of the company doesn’t matter. Reputation of the individual who is doing the lobbying does, because lobbying is a social activity as well as a political activity.” (source in European Parliament)

This shows that the reputation of individuals matter more than the reputation of their employers, i.e. the (parent) company and its respective brands.

#### *Relational resources*

Relational resources such as contacts and relations are also emphasised as being inextricably linked to individual representatives.

“Relationships are crucial.” (current MEP)

“Entry or access as a newcomer is very difficult without an existing network.” (source in Brussels)

“Contacts and relations are the essentials.” (company representative)

“That is the basis, without relations and contacts to relevant decision-makers you will not be heard, not be noticed”. (company representative)

“An inwards and outwards network is needed.” (company representative)

“You can only be successful if you’re continually networked”.  
(current MEP)

“It’s easier to find open ears with people you already know”.  
(company related industry)

### *Financial resources*

Financial resources seem to only play a role as basis for setting up and maintaining lobbying operations. This is in stark contrast to the United States where financial contributions from firms through Political Action Committees (PACs) are very common.

“Toyota is not in financial problems (unlike some of its European counterparts/competitors). If you make a case for funding; if it's good - the degree of justification is greater than in other companies. External affairs is recognised as an important function at top executive level. We have direct access to the top, so if you make a good case for it, you will find sponsors.”  
(company representative of Toyota)

“The automotive industry has immense financial resources.”  
(current MEP)

“As the company is struggling financially, the budget has been reduced. At the same time the work load is the same so it is a significant challenge to achieve the same with fewer resources”  
(company representative)

“Since the office was set up we have had about the same resources” (company representative)

“There was one big budget increase when the department was set up, but since then, it has been stable.” (company representative)

### *Recreational skills*

These include the organisation of various events in order to network. Furthermore a few interviewees (from companies and institutions) mention invitations and visits to plants.

“What comes to mind is the annual BMW summer fete.” (former MEP)

“There are lavish receptions, nearly every day there is some function going on by some company. Food and drink, they think it's important, but in terms of effects it's not very successful. It creates moments of contacts, you also need that.” (NGO T&E)

### *The support of stakeholders*



This does not seem to play a big role for companies, although there is a growing tendency for firms to work with environmental organisations. This is more important for policy-makers:

“The support through other stakeholders is very very important, the more interest, the more pressure and influence you have on politics” (assistant to MEP)

### *Other resources*

Another important resource that emerges from the interviews is the level of continuity firms provide in their contacts for policy-makers, Commission officials and politicians in the European Parliament.

“The level of continuity” (current MEP)

“Continuity is very important, but the labour contract is only for five years” (independent source, formerly in Brussels)

“Continuity is a key stone in order to create mutual trust and that’s where companies have made mistakes in their strategies in the past.” (former MEP)

“We try to provide continuity, at least for three years in order to build up a network.” (company source)

“It helps to see the same people, you build up trust in what other people are doing.” (related industry association)

“The disadvantage can be immense, in the association and in the company; you cannot work effectively in the first half year.” (industry association)

Furthermore, time and studies are pointed out.

“Time as a resource is a constraint for everybody.” (related industry association)

“With studies you can steer the kind of debate, you establish a nomenclature, ideas that can’t be debated away, ideas that can’t be taken out again.” (Commission official)

From this display of resources it can be seen that more than anything else human resources provide the crucial resource for companies when interacting with political institutions. Unlike in day-to-day production operations, there are no technologies or patents to be protected, but the contributions of individuals, through their expertise, their network, their built-up credibility, and their continuity. Here the attributes of the resource-based theory can be applied as following:

*Valuable*: relationships with legislators – once established – are valuable when information and expertise are mutually given (in “give and take” relationships).

*Rare or limited*: the time of a politician or civil servant for networking is limited and if companies have built up credibility through their representatives as trusted dialogue partners, they will be a preferred source of information when meetings are arranged.

*Inimitable*: Government relations happen on an inter-personal level and if the “chemistry is right” (as a number of interviewees pointed out) with people in political institutions, this is hard to imitate for competitors.

*Nonsubstitutable*: Company representatives that have been in government affairs work 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.

*Durable*: Once a network has been established over a period of time, this can be stable. The head of the DaimlerChrysler representation in Brussels, for example, had been in the position for almost two decades and had established a network that was equal to none (a number of interviewees pointed this out).

As the main field of legislation is the environmental arena and as the chosen EIBA track (no. 7) specifically deals with the environmental dimension and impact of multinationals, the **position** of companies **on environmental regulations** will be presented as well.

“Environment is the hottest issue.” (Brussels source)

The environmental area is now the single most important issue in government relations of automotive companies in the European Union, although some interviewees (in the European Commission and in the industry) pointed out that it was overrated in the public debate with safety, taxation and competition, after-market, intellectual property and trade issues still being very crucial issues as well in automotive legislation. The question regarding companies’ position on environmental regulations was largely based upon the so-called ‘Porter Hypothesis’<sup>15</sup> regarding the opportunity of innovation versus the threat of costs,

---

<sup>15</sup> Conventional wisdom claims that economic growth and environmental protection measures are mutually exclusive which consequently led to society’s desire for higher environmental

also in terms of employment issues. Here, the perception was markedly different between companies and other sources. Industry sources saw the issue very much as both, innovation and costs, although this might have been through the provision of a socially desirable answer.

“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. (...) For the sector the top 3 priorities are CO<sub>2</sub>, CO<sub>2</sub>, CO<sub>2</sub>. Exhaust emissions and all that.” (company representative of Toyota)

“Well, in general it creates chances and opportunity. E.g. in the environmental field in global warming, we see ourselves as leaders. (...) We try to turn environmental challenges into opportunities.” (company representative of General Motors)

“It’s always both, innovation and costs.” (company representative)

“These are societal trends and we can’t reverse that, we agree with the objectives, but we need to discuss the time frames, when can we reach these goals?” (company representative)

“We agree with the objectives, but it is much too detailed, bureaucratic.” (related industry association)

Other sources, even if they were reportedly industry-friendly, perceived this rather different:

“The firms’ initial gut reaction with environmental regulations is, we won’t let anything be imposed on us.” (NGO representative)

“It’s a traditional, reactive, protectionist attitude.” (current MEP)

“With environmental concerns, it’s very important, they have to be less defensive.” (Commission official)

“They always use the killer argument of environmental policy being a job killer, but I would strongly advise them to keep this out of the debate as they are disqualifying themselves as dialogue partner.” (current MEP)

“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.” (related industry association)

---

standards being met with opposition from industrial groups (Wurzel, 2002, Farzin, 2003). 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, 1995).

“Environmental regulations are seen by industry as additional costs, especially the European industry. Environmental regulations are very little perceived as opportunities for innovation, rather negative.” (Commission source)

“You have to ask – where do firms fluff up in terms of costs and where is it really difficult to make environmental progress. In many cases when firms fluffed up for the Commission, it was shown later that it was indeed possible and then they get a problem of credibility.” (related industry association)

The industry's and individual producers' position on environmental regulations was also a point that was made when interviewees were asked for an overall assessment, including strengths and weaknesses. This will only be demonstrated by one quote as space is limited to discuss this as well.

“In an overall assessment they would get 8 out of 10 pints, the missing two they would get if they had a more positive stance in environmental issues, but maybe we can't demand that.” (Commission civil servant)

The interested reader is referred to the appendix where a selection of quotes on strengths and weaknesses, and on overall assessment are displayed.

## **Conclusion and Outlook**

Firstly, although automotive multinational enterprises in the EU are all subject to the same environmental regulations, the results showed the importance of national culture and nationality on how corporate political activities are exercised. This might mean that the other moderating influences on these political activities as in Figure 1, the contexts of the industry and the country or region, are stronger than shown in the graphic. In this respect, it would hence be beneficial in the future to draw upon the business systems literature in order to understand how different cultures and business climates play a role in interest representation. Future investigations could possibly draw upon Morgan et al. (2001, 2005) and Whitley (1991, 1992).

Secondly, corporate political activities were motivated by the needs for certainty, for a level playing field, for containment of costs and for favourable legislation as well as the desire to provide expertise and information for good policy decisions. This very much demonstrated that the government relations or public affairs function is an important integral part of automotive companies. One could thus conclude that MNE business and political strategies are

integrated in terms of the strategy in the political environment being influenced by product strategies in the market environment. However, there seems to be no real integration between functions as several interviewees pointed out the challenges of communicating their job and its importance within the company, which seemed a neglected role in headquarters and only noticed when it was too late to act. Furthermore, in several ways the corporate representative offices in Brussels were simply seen as fighting off anything that comes in the companies' way of doing business, which would argue against integrated strategies. Thus, the integration of non-market and market strategies certainly warrants deeper investigation.

Thirdly, in terms of what resources and competences are used in and how firm-specific political resources are directed into corporate political activities, the findings clearly showed the crucial importance of human resources and their assets regarding expertise, network, provision of continuity, reputation and credibility. Even though possibilities for corporate political activities might be 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 contacts, reputation and credibility. The process, above all, takes time and is thus not easily imitated<sup>16</sup>. This is where firms can come to advantages in their government relations in providing valuable expertise by credible, trustworthy human resources.

The differences in the actual daily work of interest representation are rather subtle. They do vary in emphasis and in style as pointed out above with the different countries of origins. How corporate political activities actually differ rests in strategies and arguments. The main reason for firms' divergence lies in their position in the market place: Different competitive strategies lead to different political strategies, from end-of-life vehicles over pollutant emissions to CO2 emissions. This is an important conclusion as the industry has mainly been represented through industry associations in the past and the fact that in the past two decades all major car manufacturers have opened representative offices in Brussels points to the significance of lobbying opportunities for

---

<sup>16</sup> In the resource-based theory, Dierckx and Cool (1989) speak of *asset stock accumulation* and *time compression diseconomies*.

individual firms. Future research could look into this interesting division between individual corporate political activities and collective interest representation, whether there might be a tendency of enterprises towards relying on own activities or on collective representation<sup>17</sup>.

Finally, the findings on the position on environmental regulations of multinational enterprises showed that, although firms viewed these as necessary and as opportunities for innovation and environmental leadership, this was not necessarily perceived in the same way by their stakeholders in the European institutions. On the contrary, this was an area where the industry and its individual companies were seen as rather negative and resistant.

Hence the paper should end with a recommendation for multinational enterprises (not only) in the automotive industry to view environmental regulations more favourably in order to improve their relations and interest representation with political institutions and in order to contribute positively to the protection of the natural environment and hence sustainable development.

## Acknowledgements

The author would like to thank all participating interview partners for their valuable contribution to the research project.

## References

- ACEA (2005). *European Automobile Industry Report 2005*. Retrieved November 10, 2006, from <http://www.acea.be>
- ACEA (2006). *European Automobile Industry Report 2006*. Retrieved December 1, 2006, from <http://www.acea.be>
- ACEA (2007). *New passenger car registrations*. Retrieved July 12, 2007, from <http://www.acea.be>
- Althaus, M. (undated). *Beruf: Lobbyist - Karrierewege und Professionalisierung in der Interessenrepräsentation (Profession: Lobbyist – career paths and professionalisation of interest representation)*. Retrieved July 6, 2007, from <http://www.poli-c.de/poli-c/karriere/articles-details.jsp?id=45>

---

<sup>17</sup> At the annual conference of the European Centre for Public Affairs, March 2007, there was little support for industry federations and overwhelming support for individual company interest representation. Furthermore, some interviewees pointed out that the “dirty work” was left to the association in order to “look good” as individual enterprise. Another weakness of industry associations is a tendency to work on a lowest common denominator basis.

- Barney, J. B. (1991). Firm resources and sustained competitive advantage, *Journal of Management*, 17, 99-120.
- Baron, D. P. (1995). Integrated Strategy: Market and Nonmarket Components, *California Management Review*, 37/2, 47-66.
- Blumentritt, T. P. and Nigh, D. (2002). The Integration of Subsidiary Political Activities in Multinational Corporations, *Journal of International Business Studies*, 33/1, 57-77.
- Boddewyn, J. J. and Brewer, T. L. (1994). International-Business Political Behavior: New Theoretical Directions, *Academy of Management Review*, 19/1, 119-143.
- Boddewyn, J. J. (1988). Political Aspects of MNE Theory, *Journal of International Business Studies*, Fall, 341-363.
- Boddewyn, J. J. (2003). Understanding and advancing the concept of "nonmarket", *Business and Society*, 42/3, 297-327.
- Bryman, A. and Bell, E. (2003) *Business Research Methods*. Oxford: Oxford University Press.
- Coffey, A. and Atkinson, P. (1996) *Making Sense of Qualitative Data: Complementary Research Strategies*. Thousand Oaks, CA: Sage
- Dahan, N. (2005). A contribution to the conceptualization of political resources utilized in corporate political action, *Journal of Public Affairs*, 5/1, 43-54.
- DG Environment (2007). Directorate General Environment of European Commission, Website. Retrieved July 12, 2007, from [http://ec.europa.eu/dgs/environment/index\\_en.htm](http://ec.europa.eu/dgs/environment/index_en.htm)
- Dierckx, I. and Cool, K. (1989). Asset Stock Accumulation and Sustainability of Competitive Advantage, *Management Science*, 35/12, 1504-1511.
- Dieselnet (2007): Emissions Standards Europe: Cars and Light Trucks. Retrieved October 11, 2007, from <http://www.dieselnet.com/standards/eu/ld.php>
- Eisenhardt, K. M. (1989). Building Theories From Case Study Research, *Academy of Management Review*, 1989, 14/4, 532-550.
- Farzin, Y. H. (2003). The Effects of Emissions Standards on Industry, *Journal of Regulatory Economics*, 24/3, 315-327.
- Fiol, C. M. (1991). Managing Culture as a Competitive Resource: An Identity-Based View of Sustainable Competitive Advantage, *Journal of Management*, 17/1, 191-211.
- Getz, K. A. (1997). Research in Corporate Political Action: Integration and Assessment, *Business and Society*, 36/1, 32-72.
- Ghauri, P. and Grønhaug, K. (2005) *Research Methods in Business Studies: A Practical Guide*, Harlow, Pearson, 3<sup>rd</sup> ed.
- Gillham, B. (2000) *Case Study Research Methods*. London: Continuum.
- Grant, R. M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation, *California Management Review*, 33/3, 114-135.
- Grant, W. (1993) Pressure Groups and the European Community. In S. Mazey and J. J. Richardson (eds.), *Lobbying in the European Community*, Oxford: Oxford University Press, 27-46.
- Hillman, A. J. and Hitt, M. A. (1999). Corporate Political Strategy Formulation: A Model of Approach, Participation, and Strategy Decisions, *Academy of Management Review*, 24/4, 825-842.
- Hillman, A. J., Keim, G. D. and Schuler, D. (2004). Corporate Political Activity: A Review and Research Agenda, *Journal of Management*, 30/6, 837-857.

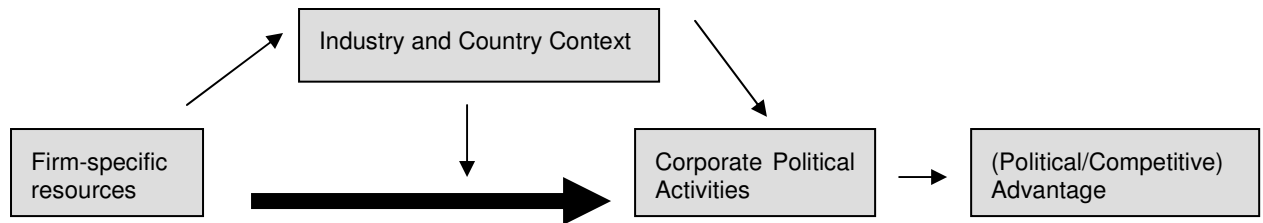
- Hoopes, D. G., Madsen, G. L. and Walker, G. (2003). Guest Editors' Introduction to the Special Issue: Why is there a Resource-Based View? Toward a Theory of Competitive Heterogeneity, *Strategic Management Journal* (Special issue), 24/10, 889-902.
- JAMA (1999). *Japanese Automakers Contributing to Europe: Investing in a Common Future*. Japan Automobile Manufacturers Association, Retrieved July 13, 2007, from <http://www.jama-english.jp/europe/index.html>
- JAMA (2006). *Common Challenges, Common Future: 20 years of Japanese automakers in Europe*. Japan Automobile Manufacturers Association, Retrieved July 13, 2007, from <http://www.jama-english.jp/europe/index.html>
- Keay-Bright, Sarah (2000): A critical analysis of the voluntary fuel economy agreement, established between the European automobile manufacturers and the European Commission, with regard for its capacity to protect the environment, European Environmental Bureau, available at <http://www.eeb.org/publication/2000/ACEA-10-final-complete.pdf> (17.02.2006)
- Krämer, L. (1997) *Focus on European Environmental Law*. London: Sweet & Maxwell, 2<sup>nd</sup> ed.
- Krämer, L. (2000) *E.C. Environmental Law*. London: Sweet & Maxwell, 4<sup>th</sup> ed.
- Levy, D. L. and Egan, D. (2003) A Neo-Gramscian Approach to Corporate Political Strategy: Conflict and Accommodation in the Climate Change Negotiations, *Journal of Management Studies*, 40/4, 803-829.
- Levy, D. L. and Rothenberg, S. (1999). *Corporate Strategy and Climate Change: Heterogeneity and Change in the Global Automobile Industry*. ENRP Discussion Paper E-99-13, Kennedy School of Government, Harvard University.
- Marcus, A. A., Kaufman, A. M. and Beam, D. R. (eds.) (1987) *Business strategy and public policy: Perspectives from industry and academia*. Quorum Books: New York.
- Mazey, S. and Richardson, J. J. (eds.) (1993) *Lobbying in the European Community*. Oxford: Oxford University Press.
- McLaughlin, A. and Jordan, G. (1993) The Rationality of Lobbying in Europe: Why are Euro-Groups so Numerous and so Weak? Some Evidence from the Car Industry. In S. Mazey and J. J. Richardson (eds.), *Lobbying in the European Community*, Oxford: Oxford University Press, 122-161.
- McWilliams, A., Van Fleet, D. D. and Cory, K. D. (2002). Raising Rivals' Costs through Political Strategy: An Extension of Resource-Based Theory, *Journal of Management Studies*, 39/5, 707-723.
- Meznar, M. B. and Nigh, D. (1993). Managing corporate legitimacy: Public affairs activities, strategies and effectiveness, *Business and Society*, 32/1, 30-43
- Miles, M. B. and Huberman, A. M. (1984) *Qualitative data analysis: a sourcebook of new methods*. Newbury Park, CA: Sage.
- Miles, M. B. and Huberman, A. M. (1994) *Qualitative data analysis: an expanded sourcebook*. Thousand Oaks, CA: Sage, 2<sup>nd</sup> ed.
- Moon, C. W. and Lado, A. A. (2000). MNC-Host Government Bargaining Power Relationship: A Critique and Extension Within the Resource-Based View, *Journal of Management*, 26/1, 85-117.
- Morgan, G, Kristensen, P. H. and Whitley, R. (2001) *The Multinational Firm: Organizing Across Institutional and National Divides*. Oxford: Oxford University Press.
- Morgan, G, Whitley, R. and Moen, E. (eds.) (2005) *Changing Capitalisms? Internationalization, Institutional Change, and Systems of Economic Organization*. Oxford: Oxford University Press.



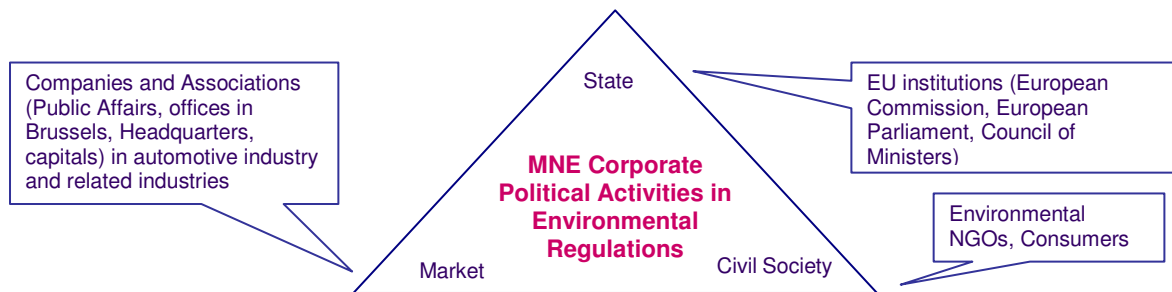
- Nieuwenhuis, P. and Wells, P. (2003) *The automotive industry and the environment*. Cambridge: Woodhead Publishing.
- Oliver, C. (1997). Sustainable Competitive Advantage: Combining Institutional and Resource-Based Views, *Strategic Management Journal*, 18/9, 697-713.
- Pedler, R. H. (ed.) (2002) *European Union lobbying: Changes in the arena*. Palgrave: Basingstoke.
- Peng, M. W. (2001). The Resource-Based View and International Business, *Journal of Management*, 27, 803-829.
- Penrose, E. T. (1959) *The Theory of the Growth of the Firm*. Oxford: Blackwell.
- Porter, M. E. and Van der Linde, C. (1995). Toward a New Conception of the Environment-Competitiveness Relationship, *Journal of Economic Perspectives*, 9/4, 97-118.
- Rieksmaier, J (ed.) (2007) *Praxisbuch: Politische Interessenvermittlung: Instrumente – Kampagnen – Lobbying (Manual: Political interest representation: Instruments – Campaigns – Lobbying)*. Wiesbaden: VS Verlag für Sozialwissenschaften.
- Rugman, A. M. and Verbeke, A. (1998). Corporate Strategies and Environmental Regulations: An Organizing Framework, *Strategic Management Journal*, 19, 363-375.
- Rumelt, R. P. (1984) Towards a Strategic Theory of the Firm. In R. B. Lamb (ed.), *Competitive Strategic Management*, Englewood Cliffs, NJ: Prentice Hall, 556-570.
- Rumelt, R. P. (1987) Theory, Strategy, and Entrepreneurship. In D. J. Teece (ed.), *The Competitive Challenge*, Cambridge, MA: Ballinger Publishing Company, 137-158.
- Sadrieh, F. and Annavarjulia, M. (2003). Antecedents of corporate lobbying participation and intensity: A review of the literature, *Public Administration Quarterly*, 26/4. Retrieved February 2005, from <http://proquest.umi.com>
- Schofield, J. W. (2002) Increasing the Generalizability of Qualitative Research, in: Miles, M. B. and Huberman, M. A. (eds.): *The qualitative researcher's companion: classic and contemporary readings*. London: Sage, 171-203 [Reprinted from same title, *Qualitative Inquiry in Education*, edited by Elliot W. Eisner and Alan Peshkin, 201-232, 1990, Teachers College Press].
- Shaffer, B. (1995). Firm-level Responses to Government Regulation: Theoretical and Research Approaches, in: *Journal of Management*, 21/3, 495-514.
- Spell, S. (2000). *Japanese automobile lobbying in Brussels: the role of the Japanese motor car industry in EU policy networks*. Ph.D. Thesis, Stirling, University of Stirling, Scottish Centre for Japanese Studies, United Kingdom.
- Van Tulder, R. and Van der Zwart, A. (2006) *International Business-Society Management: Linking Corporate Responsibility and Globalization*. London: Routledge.
- Wernerfelt, B. (1984). The Resource-Based View of the Firm, *Strategic Management Journal*, 5, 171-180.
- Whitley, R. (1991). The social construction of business systems in East Asia. *Organization Studies* 12, 1–28.
- Whitley, R. (1992). *European Business Systems. Firms and Markets in their National Contexts*. London: Sage.
- Wurzel, R. K. W. (2002) *Environmental Policy-Making in Britain, Germany and the European Union*. Manchester: Manchester University Press.
- Yin, R. K. (1989/1994) *Case Study Research: Design and Methods*. Thousand Oaks: Sage Publications, 2<sup>nd</sup> ed.

## Tables and Figures

**Figure 1: Resource-Based Determinants of MNE Political Activities (Author graph, modified from Moon and Lado, 2000: 101)**



**Figure 2: The societal triangle – Triangulating Corporate Political Activities**



**Figure 3: Overview of distribution of interview partners**

Organization/Interview Partner	Number of Interviews	Total
<b>Market Side</b>		
Corporate Public Affairs Offices (Automotive Industry – Other Stakeholder Industry)	(14 + 5)	36
Business Associations (Automotive Industry – Other Stakeholder Industry)	(7 + 10)	
<b>State Side</b>		
EU Institutions		27
European Parliament	13	
Commission	12	
Council	2	
<b>Civil Society Side</b>		
Environmental NGOs	7	8
Consumer Organisations	1	
Others and Informal Meetings	2	2
<b>Total</b>		<b>73</b>

## Appendix

Quotes on strengths and weaknesses as well as on overall assessment show a mixed picture:

“For us it’s never enough and for others we are too successful.”  
(industry association)

“Impressive, they have been good.” (Commission source)

“Most successful unfortunately. The Commission is eating from their hands.” (Advisor to EP Green group)

“We are in a pretty good position in getting messages out. Some say we’re lagging behind, but the industry has done a lot on environment and safety.” (industry association)

“Don’t quote me now, but I think we are very bad, it’s funny we’re, for example, many people see the auto industry as a rich industry and that’s not the case. They are not a rich industry. We’ve not been able to pass on the message that the automotive industry is dealing with the most complex product that is sold in larger volumes. Things are difficult.” (industry source)

“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.” (industry source)

„Their strength is that they’re still a very very important part of the economy, they can use that argument.“ (former environmental NGO employee)

“Their knowledge in general is great, but the tactics and way to bring it to regulation, how to compromise, that totally failed, there was a lack of willingness to compromise.” (related industry association)

“Powerful but not enlightened. ... Time after time they take an approach, which makes them look bad. Their position reflects reality, partly, the environmental challenge, there is no way realistically that car companies can do that, 120g/km. (...) It’s a real valid argument, but they have been so consistently negative they lose the opportunity to put it in a positive light, so they do express real concern, it’s a real issue, but in a way, I have the feeling, that doesn’t flatter them. They don’t win the battle for public opinion. It’s a traditional, reactive, protectionist attitude.“ (Brussels source)

“Their strength is money and back-up from influential member states; their weakness: they exaggerate their case, it’s like crying wolf.” (source in European Parliament)

"I already mentioned it, the End-of-Life Vehicles directive: that's a bad example where the car industry was not good organised. With environmental regulations, hm, it is difficult to say, as it is often a compromise. Euro 5 that is not going too well, not, hm, because the component manufacturers are very aggressive, they are imposing after-treatment." (industry source)

"In terms of the ELV directive if you look at what they wanted, their three main goals, no directive and if a directive, no producer responsibility and no recycling targets, then they lost in all of these objectives, they only managed to weaken and delay it. So in that sense, they were not successful." (EP advisor)

"A car is an emotional product so you always find open ears, at the same time that's a weakness as it is easy to regulate and easy to take as scapegoat, whether justified or not, for example, with CO2, cars are responsible for 12% of emissions, but for 90% of the debate." (related industry company)

"The ACEA people are the worst I have encountered in my ten years here." (Brussels source)

"They have good relations in the countries where the industry is important (...), but they are a little bit too aggressive, too pushy." (related industry association)

"I was very disappointed. Eh, I'll put it in another way, because they were so disorganised, and because it was chaotic, and there were, were always gaps between the different manufacturers, it made our life a lot easier. But when I take off my hat and think I'm a European citizen, and we want a strong healthy European economy, and I think to myself, if they are as badly organised as this in the way that they actually run their business, as compared to the way, as they are when they are and, the people that I am meeting, they say it's gonna cost them billions, then God help us, because they will be wiped out by the Japanese and the Americans, 'cause it was, I mean for somebody like me, I'm a strong environmentalist, I actually felt sorry for the car industry at the end of that process." (Commission official)

"The good lobbyists know, that they can't prevent it, so they fine-tune the wording of legislation. (...) It's work in details, they know that they can't circumvent laws." (current MEP)

"I think, a weakness that they have is a weakness that any industry federation has, and that is trying to control a single strong policy line when actually in fact they are trying to slit each others' throats competitively, trying to outdo each other, all trying to find a policy line argument that will actually suit their own corporate strategy, eh, actually coming up with a line is actually rather difficult and when a line is found it's always going to be a lowest common denominator approach which doesn't impress policy makers often. And their strength is that they're still a very very important part of the economy in many places and that they can use the argument of the significant impact on

the economy as a whole if their business is harmed, and another strength they have at the moment is the political way the wind is blowing in this town, which is better regulation spelt N-O.“ (former NGO employee)

“Overall assessment? Not the most successful!” (company source)

“I don’t know what to say, the basic message has usually been favouring pollution, I’m glad when there are different voices.” (current MEP)

“I think it’s a sad achievement what has happened in the area of CO2 reduction of passenger cars. They made a good job in devaluing the commitment and that’s where they have been successful, in overthrowing the voluntary agreement. But it was achieved with a sledge hammer and with unobjective, irrelevant arguments.” (source in Brussels)

“I have experienced the car industry as a 95% trustworthy dialogue partner that is indispensable.” (current MEP)

“Weakness: it tends to be defensive in its lobbying, but lobbying very rarely stops a proposal so it might as well work constructively. Its strength is its well established network in Brussels, but it’s not very efficient in terms of results.” (Commission official)

“Our strength is that we represent a very important part of European industry, the number of people we employ directly and indirectly, even more important is our R&D in Europe, we contribute to the competitiveness of Europe, this is a strength. Weaknesses I see linked to the bodies we deal with, not the association as such.” (industry association)

---

END OF PAPER