Responsible Lobbying

Conceptual Foundations and Empirical Findings in the EU

THERESA BAUER [*]

Vorstellung eines Dissertationsprojektes

1.   Introduction and Research Questions

Corporate lobbying is the "provision of information to policy makers by individuals representing the firms interest" (Hillman/Hitt 1999: 834). Firms treat this activity as completely legitimate and many policy-makers welcome the input and engagement of interest groups. Yet the public tends to see lobbying critical, especially in times when yet another lobbying scandal is unveiled. In the EU, non-governmental organizations (NGOs) such as ALTER-EU have repeatedly criticized the lack of transparency in the political system and especially the unproportional degree of influence wielded by business. Moreover, scholars in business ethics have cautioned against the political role of firms; for example, Wilke and Wilke (2008: 555) who argue "the only legitimate guardians of the public interests are governments, which are accountable to all their citizens".

Against this background, the meaning and feasibility of "responsible lobbying" deserve attention. Responsible lobbying might appear to be an oxymoron due to the alleged inherently selfish nature of lobbying. Yet many firms will continue to influence policy-making as long as influential political authorities exist. Hence, it seems more reasonable to strive for a responsible way of lobbying instead of demanding political abstinence. The increased importance of Corporate Social Responsibility (CSR) could become a leverage to ensure that questions of ethics and responsibility in lobbying are sufficiently taken into account. Therefore, this thesis takes an integrative view to lobbying and CSR and deals with responsible lobbying as an attempt to bring *lobbying in congruence with the corporate responsibilities towards society.*

The attention by practitioners and scholars towards this issue has been rather limited. Lobbying research is shaped by many disciplines ranging from political science, organization theory, management studies to communication studies. While the lobbying literature has primarily dealt with motives and antecedents, strategies and tactics, key actors, success and institutional differences and comparisons (see Getz 1997; 2002; Hillman et al. 2004; Lawton et al. 2013; Shaffer 1995), ethical issues have been mostly ignored. However, a few lobbying scholars have applied ethical theories to define guidelines (see Grimaldi 1998; Oberman 2004; Ostas 2007; Weber 1996; 1997) for such issues as the consideration of the common good, disclosure towards policy-makers and other

[*]   Dr. Theresa Bauer, Institut für Management, Humboldt-Universität zu Berlin, Rosenstr. 19, D-10178 Berlin, E-Mail: thkbauer@gmail.com, Forschungsschwerpunkte: CSR, Lobbying, CSR Kommunikation.

shapers of public opinion, avoidance of conflicts of interest and abstaining from inappropriate tactics (see Woodstock Theological Center 2002).

The literature on CSR reflects a range of different approaches, but has long been characterized by a "denial of politics" (Hanlon 2008). Recently, the political role of firms has increasingly met interest. Matten and Crane (2005) argue that in the changing environment of a globalized world some firms have begun to assume a state-like role; accordingly, they conceptualize an extended view of corporate citizenship with a focus on the corporate role in administering citizenship rights for individuals. Still, this new stream in CSR literature dealing with politics focuses mainly on corporate participation in processes of global governance, thereby neglecting firms directly influencing government policy. Only few scholars have started to examine the link between CSR and lobbying under the headline "responsible lobbying", but the few existing studies on the topic (see Anastasiadis 2010; Slob/Weyzig 2010) remain exploratory.

My thesis aims to contribute to responsible lobbying studies by focusing on the following main research questions:

1.   What does responsible lobbying exactly entail when taking an integrative perspective that links CSR and lobbying?

2.   To what extent are firms currently aware and practice responsible lobbying?

3.   What are the benefits of responsible lobbying?

These questions call for an investigation on a conceptual and empirical level. Hence, the thesis deals with

1.   the set-up of an appropriate theoretical framework, including the development of a better understanding of what responsible lobbying entails as well as its benefits, and

2.   an empirical analysis of the current awareness and practice as well as benefits based on a survey and interviews with lobbyists in the EU. The empirical part focuses on the European context, as Brussels has become one the most significant places for lobbying (besides Washington).

2.   A Multidimensional Model of Responsible Lobbying[1]

The thesis aims amongst other things at developing an encompassing, theoretically substantiated understanding of responsible lobbying. A template of responsible lobbying is needed that defines normative guidelines and allows for determining whether and to what extent lobbying corresponds to corporate responsibilities towards society. The author develops four dimensions to describe and prescribe the content and process of responsible lobbying; concrete criteria are established to determine the extent to which firms fulfill each dimension.

The four dimensions and respective criteria[2] are:

_____

[1]   This part is based on Bauer (2014).

[2]   These criteria were used as indicators of the respective dimension in the following quantitative study.

- *Pillar (1)* calls for consistency between the firm's stated CSR commitment and its lobbying activities. This dimension builds on an understanding of CSR as "clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the wider societal good" (Matten/Moon 2008: 405), including commitments to pay attention to social and environmental issues and behave in an ethical manner. Concrete measures are needed to enable consistency of CSR policies/practices and lobbying efforts, e.g. regular exchange between the firm's lobbying and CSR measures (if existent).

  Criteria: The firm recognizes the importance of CSR and is committed (1) to serve society, (2) to manage environmental impacts, (3) to ensure morally sound actions; (4) the firm makes CSR an integral element of the business model; (5) lobbyists are aware of CSR principles and act accordingly; and (6) CSR managers/departments and lobbyists collaborate.

- *Pillar (2)* requires consideration of perspectives and needs of stakeholders such as consumers, shareholders, employees and NGOs. These deserve attention in addition to policy-makers who by definition make up the central stakeholder group in the lobbying context. Some firms have started to inform stakeholders; e.g. by including lobbying issues in CSR reports. Besides, symmetric two-way-communication (see Grunig/Hunt 1984) helps managing risks and reduces the possibility of reputation loss. Hence, the firm should actively seek the opinion of stakeholders on selected policy issues, e.g. through stakeholder advisory groups, and should be willing to make changes to policy positions if stakeholders demand it.

  Criteria: The firm considers the perspectives and interests of all stakeholders that are touched by lobbying activities, particularly of (1) consumers, (2) shareholders, (3) employees and (4) NGOs; (5) the firm aims at a genuine dialogue and (6) is willing to make changes to policy positions.

- *Pillar (3)* calls for the alignment of political positions with the long-term objectives and values of broader society. This dimension is based on the assumption that firms need to consider societal objectives and values that are centered outside the firm. For example, sustainability helps to build "a bridge to important global societal issues" (Wheeler et al. 2003).

  Criteria: The impact on societal objectives and values can be assessed by considering (1) prosperity, (2) justice and (3) sustainability (i.e., regarding the environment and future generations).[3]

- *The Basis* calls for an ethical, democratic process when communicating with policy-makers. This part builds on existing process-oriented guidelines in the ethical lobbying field (see Grimaldi 1998; Hamilton/Hoch 1997). One basic

---

[3] Defining irrevocable societal objectives and values as guidelines is difficult, because these are socially constructed and subject to change; hence some currently relevant objectives were selected as criteria.

424

requirement is balanced, reliable information instead of misrepresenting or selectively providing data. Transparency allows for public control (see e.g. Woodstock Theological Center 2002). In addition, the deliberative approach by Jürgen Habermas (1987; 1990) helps defining criteria for a communication process of moral quality. The ideal of a free discussion among all affected parties and the need to seek mutual understanding with policy-makers, which necessitates that firms accept policy-makers as legitimate actors, are particularly relevant.

Criteria: The firm provides (1) accurate, (2) balanced information to policy-makers; (3) the firm seeks mutual understanding with policy-makers and (4) considers Habermas's ideal of a free discussion among all affected; (5) transparency is ensured as far as possible; and (6) firm actors accept policy-makers as legitimate and trustworthy.

3.   Awareness and Practice of Responsible Lobbying in the EU[4]

The empirical study aims at investigating the awareness and practice of responsible lobbying in the EU. It combines a quantitative study based on an online survey and a subsequent qualitative study based on interviews with selected participants.

The quantitative study used three sources for sampling: The EU Transparency register, the European Union & Public Affairs Directory (see Dod 2013) and members of the Society of European Affairs Professionals (SEAP). The online survey run from March 13, 2013 to April 28, 2013 and resulted in 142 responses by 70 in-house lobbyists and 72 consultants. The quantitative study combined descriptive and multivariate analysis, i.e., Structural Equation Modeling (SEM) and specifically§ Partial Least Squares (PLS). In the aftermath of the survey, four in-house lobbyists and seven consultants agreed to participate in the qualitative study and hence were interviewed in the course of September 2013.

Combining the findings from the quantitative and qualitative analysis along the four parts of the multidimensional model of responsible lobbying revealed the following:

- The quantitative analysis of *Pillar (1)*, i.e., the CSR dimension referring to the CSR commitment and coherence with lobbying activities, showed that the criteria of this dimension are on average fulfilled to a lesser extent compared to the other three dimensions. The mean value 2.36[5] still indicated a good performance, but also pointed to the need for further improvement, e.g. regarding the collaboration between the CSR personnel and the lobbyists. The qualitative analysis revealed that the firms of the interviewed in-house lobbyists and larger consultancies have stated CSR principles and/or a code of ethics and see CSR as an integral element of the business model. CSR is either mainstreamed or part of the same department's work in case of the firms employing in-house

---

[4]   The results of the quantitative analysis are based on Bauer, T. (submit): 'Responsible Lobbying: An Empirical Study in the EU', in: Annals in Social Responsibility.

[5]   Calculating the mean of all indicators of this dimension amounted to 2.36 (on a scale ranging from 1 to 5, where small mean values indicate a higher degree of responsible lobbying regarding the respective dimension).

lobbyists. But discrepancies exist regarding measures to ensure coherence between CSR and lobbying, e.g. in terms of the often lacking inclusion of lobbying in the code of ethics and in the CSR/sustainability report.

- In the quantitative analysis, the score for *Pillar (2)*, the dimension that requires taking into account the views and needs of stakeholders, revealed the highest degree of fulfillment compared to the other three dimensions of responsible lobbying. The mean value of 1.93 indicated the respondents' conviction that their firms and clients meet the relevant criteria: they tend to consider how advocated policy positions impact consumers, shareholders and employees, actively seek the opinion of stakeholders on policy issues, are willing to make changes to policy positions if stakeholders demand it and strive for cooperation with NGOs on selected policy issues. In contrast, the interviewees tended to place less importance on this dimension. Regarding the in-house lobbyists participating at the interviews, their firms have all explicitly committed to incorporate stakeholder interests. However, there is a lack of formal measures to ensure proactively engaging stakeholders when it comes to political issues. Some in-house lobbyists and consultants mentioned examples of cooperation with NGOs, which may enhance responsible lobbying by contributing to the alignment of the firm's policy goals with the interests of society. Yet the interviewees' assessment of the chances to cooperate with NGOs varied; some were rather pessimistic about common interests and compatibility of lobbying styles.

- The quantitative analysis of *Pillar (3)*, the dimension that refers to the alignment of a firm's lobbying activities with the objectives and values of society, shows: the survey respondents widely belief that the impact of their lobbying activities on wider society is generally positive, i.e., they perceive that policy positions positively influence welfare, justice and sustainability. The interviews revealed various opinions regarding the necessity to explicitly consider whether the firm's self-interested policy positions match with societal objectives and values. Some stressed policy-makers had the primary responsibility for societal consequences; others perceived that taking societal objectives and values into account corresponds to the firm's interest. Sustainability seemed most important to interviewees, particularly since a number of firms focus on environmental friendly products and technology.

- The quantitative analysis of the *Basis*, i.e., the dimension that requires an ethical, democratic process, showed: the mean value of 2.14 reflects a generally high degree of awareness. But the results differ considerably among the indicators; the analysis reveals a very positive assessment regarding the presentation of accurate information to policy-makers and regarding transparency. The interviewees emphasized the necessity to ensure an ethically sound process. The provision of accurate information seemed to be of high importance (as found in the descriptive analysis), but also balanced argumentation and willingness to compromise. Interviewees voiced different opinions regarding the degree of mutual understanding with policy-makers; some reported that policy-makers were not only open to listen, but they actively contacted lobbyists; others

426

pointed to problems to get access to policy-makers. Considering the Habermasian ideal of a free discussion among all affected, cooperation with NGOs and debate within associations can be registered as aspects of this criterion. Most participants agreed that transparency is essential within reasonable limits, but the actual disclosing practice differs, e.g. regarding the publication of policy papers or revelation of clients. The interviews mirrored respect for and acceptance of policy-makers, although some critical remarks regarding their skills and knowledge were noted.

The survey also asked respondents to assess whether they agree with the statement "Overall, this company/client achieves a high degree of responsible lobbying". On a scale from 1 to 5, 40 selected "Strongly agree" (1), 88 respondents "Agree" (2), 11 chose "Neutral" (3) and no one opted for "Disagree" (4) or "Strongly disagree" (5). The interviews confirmed a high degree of awareness regarding responsible lobbying; economic motives play a major role in lobbying, but the respondents tended to agree that lobbying generally constitutes a positive societal contribution.

The high degree of fulfillment of the responsible lobbying criteria revealed in this study can be interpreted in two ways. One explanation is that responsible lobbying is indeed relatively advanced in the EU. However, this could also (partially) result from a bias, even though measures were taken to mitigate this effect: the less visible role of the researcher within online surveys helps to lessen the social desirability effect (see e.g. Kreuter et al. 2008).

4. Benefits of Responsible Lobbying

Knowledge on benefits of responsible lobbying is desirable from an instrumental point of view, assuming that responsible lobbying is not only needed from an ethical perspective, but may serve the self-interest of the firm. Generally, the degree of success of lobbying varies largely. Clarifying which factors facilitate lobbying success has been a major endeavor of lobbying scholars who have discussed determinants such as the institutional context, issue-specific factors and interest group characteristics including tangible and intangible resources (see Dür/De Bièvre 2007).

Lobbying success may be affected by the degree of responsible lobbying in two ways. First, one can expect a direct impact in the sense that policy-makers rather listen to firms that engage in responsible lobbying. Especially a democratically elected policy-maker might be more inclined to adopt a political position advocated by a firm that aligns its CSR policy and lobbying, in case the policy-maker is committed to serve the public interest and/or is concerned about self-interested aspects such as the public's response and the chances of re-election. Second, responsible lobbying can help achieve lobbying success in the long run by building up credibility and thereby deepening personal relations with policy-makers. Credibility, i.e., the extent to which others perceive presented facts and arguments and their source as believable and reliable, is an essential element of lobbying success; sources that lack credibility have difficulties with getting a message across (see Hillman/Hitt 1999). Particularly when firms follow the requirements of an ethical, democratic lobbying process, they signal policy-makers that the firm is a responsible, credible player in the political arena and this facilitates access and regular exchange with policy-makers.

These expected positive impacts of responsible lobbying only come into play together with other determinants of lobbying success. Most notably, a positive reputation among the wider public helps to gain influence in the political arena (see Boddewyn 1993). Reputation is "a perceptual representation of a company's past action and future prospects that describes the company's overall appeal to all of its key constituents when compared with other leading rivals" (Fombrun 1996: 72). Firms with a good reputation have better chances of lobbying success: policy-makers are rather inclined to listen to a highly regarded organization, as voters are less likely to react negatively if the political influence of such firms becomes visible. Hence follows:

> H1: *cet. par., responsible lobbying is positively linked to lobbying success.*

> H2: *cet. par., reputation is positively linked to lobbying success.*

These hypotheses were subjected to multivariate analysis based on the survey data. The analysis provided evidence for a positive, yet rather weak impact of responsible lobbying on lobbying success. It also showed that lobbying success is influenced by a number of factors, whereof reputation plays a central role. Specifically, regarding H1, the path coefficient between responsible lobbying[6] and lobbying success[7] amounts to r = 0.19 (t-value: 1.66).[8] The relationship between reputation[9] and lobbying success is characterized by a strong path coefficient of 0.497 (t-value: 3.743), which provides evidence for H2.

5.   Conclusion

This thesis contributes to research on the long neglected, yet increasingly relevant topic of responsible lobbying. The theoretical part laid important foundations for responsible lobbying research; specifically it developed a better conceptual understanding of responsible lobbying and identified potential benefits. The empirical part analyzed the awareness and practice of responsible lobbying in the EU. The thesis could trigger future studies. The empirical research results focusing on the lobbyists' view could be complemented and compared with an investigation of the perception of EU officials and other stakeholders such as NGOs. Moreover, antecedents that drive responsible lobbying deserve further attention. Regarding the impact of the institutional context, a comparative analysis, e.g. among firms lobbying in different national contexts such as Brussels, Berlin and Washington, would provide valuable insights.

---

[6]   Based on the conceptual multidimensional model, responsible lobbying was modeled a second-order formative-formative construct with 18 formative indicators referring to responsible lobbying criteria.

[7]   The reflective construct "Lobbying Success" was specified by two indicators: Suc01 measures past success based on the lobbyists' assessment regarding the achievement of objectives in comparison to others lobbying on the same issues. Suc02 assesses the degree of credibility among policy-makers as a prerequisite to exert influence on policy-making in the long run.

[8]   Following the recommendation by Lohmöller (1989) who defines a threshold of r = 0.1, the link is not strong, but still meaningful.

[9]   The study applied a single-item measurement for the variable "Reputation" asking respondents to assess the company's reputation among the European public.

References

Anastasiadis, S. (2010): An Investigation into Corporate Citizenship, Policy Message, Political Action and Climate Change in the European Auto Sector: Forked Tongues or Tongue-tied?, Nottingham: Doctoral Thesis, University of Nottingham.

Bauer, T. (2014): Responsible Lobbying: A Multidimensional Model, in: Journal of Corporate Citizenship, Vol. 53, 61–76.

Boddewyn, J. (1993): Political Resources and Markets in International Business: Beyond Porter's Generic Strategies, in: Rugman, A./Verbeke, A. (Eds.): Research in Global Strategic. Greenwich, CT: JAI, 162–184.

Dod (2013): European Union & Public Affairs Directory 2011 (23rd ed.), London: Dod's Parliamentary Communications.

Dür, A./De Bièvre, D. (2007): The Question of Interest Group Influence, in: Journal of Public Policy, Vol. 27/No. 1, 1–12.

Fombrun, C. J. (1996): Reputation: Realizing Value from the Corporate Image, Cambridge: Harvard Business Press.

Getz, K. A. (1997): Research in Corporate Political Action, in: Business & Society, Vol. 36/No. 1, 32–72.

Getz, K. A. (2002): Public Affairs and Political Strategy: Theoretical Foundations, in: Journal of Public Affairs, Vol. 1/No. 4, 305–329.

Grimaldi, J. (1998): Ethical Business Around the World: Ethics and the Political Activities of US Business, in: Business Ethics: A European Review, Vol. 7/No. 4, 245–253.

Grunig, J./Hunt, T. (1984): Managing Public Relations, New York: Holt, Reinhart and Wilson.

Habermas, J. (1987): The Theory of Communicative Action, Vol. 2: System and Lifeworld, Boston: Beacon Press.

Habermas, J. (1990): Moral Conciousness and Communicative Action, Cambridge: Polity Press.

Hamilton, J. B./Hoch, D. (1997): Ethical Standards for Business Lobbying: Some Practical Suggestions, in: Business Ethics Quarterly, Vol. 7/No. 3, 117–129.

Hanlon, G. (2008): Re-thinking Corporate Social Responsibility and the Role of the Firm – On the Denial of Politics, in: Crane, A./McWilliams, A./Matten, D./Moon, J./Siegel, D. (Eds.): The Oxford Handbook of Corporate Social Responsibility, Oxford: Oxford University Press, 156–172.

Hillman, A. J./Hitt, M. A. (1999): Corporate Political Strategy Formulation: A Model of Approach, Participation, and Strategy Decisions, in: Academy of Management Review, Vol. 24/No. 4, 825–842.

Hillman, A. J./Keim, G. D./Schuler, D. (2004): Corporate Political Activity: A Review and Research Agenda, in: Journal of Management, Vol. 30/No. 6, 837–857.

Kreuter, F./Presser, S./Tourangeau, R. (2008): Social Desirability Bias in CATI, IVR, and Web Surveys: The Effects of Mode and Question Sensitivity, in: Public Opinion Quarterly, Vol. 72/No. 5, 847–65.

Lawton, T./McGuire, S./Rajwani, T. (2013): Corporate Political Activity: A Literature Review and Research Agenda, in: International Journal of Management Reviews, Vol. 15/No. 1, 86–105.

Lohmöller, J.-B. (1989): Latent Variable Path Modeling with Partial Least Squares, Heidelberg: Physica.

Matten, D./Crane, A. (2005): Corporate Citizenship: Toward an Extended Theoretical Conceptualization, in: Academy of Management Review, Vol. 30/No. 1, 166–179.

Matten, D./Moon, J. (2008): 'Implicit' and 'Explicit' CSR: A Conceptual Framework for Understanding CSR in Europe, in: Academy of Management Review, Vol. 33/No. 2, 404–424.

Oberman, W. D. (2004): A Framework for the Ethical Analysis of Corporate Political Activity, in: Business & Society Review, Vol. 109/No. 2, 245–262.

Ostas, D. T. (2007): The Law and Ethics of K Street: Lobbying, the First Amendment, and the Duty to Create Just Laws, in: Business Ethics Quarterly, Vol. 17/No . 1, 33–63.

Shaffer, B. (1995): Firm-level Responses to Government Regulation: Theoretical and Research Approaches, in: Journal of Management, Vol. 21/No. 3, 495–514.

Slob, B./Weyzig, F. (2010): Corporate Lobbying and Corporate Social Responsibility: Aligning Contradictory Agendas, in: Marques, J. C./Utting, P. (Eds.): Business, Politics and Public Policy. Implications for Inclusive Development, Basingstoke: Palgrave Macmillan, 160–183.

Weber, L. J. (1996): Citizenship and Democracy: The Ethics of Corporate Lobbying, in: Business Ethics Quarterly, Vol 6/No. 2, 253–259.

Weber, L. J. (1997): Ethics and the Political Activity of Business: Reviewing the Agenda, in: Business Ethics Quarterly, Vol. 7/No. 3, 71–79.

Wheeler, D./Colberg, B./Freeman, R. E. (2003): Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability and a Stakeholer Approach in a Network World, in: Journal of General Management, Vol. 28/No. 3, 1–29.

Willke, H./Willke, G. (2008): The Corporation as a Political Actor? A Systems Theory Perspective, in: Scherer, A. G./Palazzo, G. (Eds.): Handbook of Research on Global Corporate Citizenship, Cheltenham: Edward Elgar, 552–574.

Woodstock Theological Center (2002): The Ethics of Lobbying: Organized Interests, Political Power, and the Common Good, Washington, DC: Georgetown University Press.