

Corporate Political Strategy and the Case of ePrivacy Regulation

*Testing the Applicability of the Hillman and Hitt Corporate Political Strategy
Model on the Development of the ePrivacy Regulation in the EU, 2015 - 2020*



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Abstract

One of the most contentious pieces of legislation deliberated at the EU in recent years has been the ePrivacy Regulation (ePR). Despite its companion regulation, the General Data Protection Regulation (GDPR) being implemented in 2018, a final draft document has yet to be agreed upon by the European Commission, Parliament, and Council. Watchdogs report that the development of ePR has been subject to alarming levels of corporate political activity. This thesis seeks to understand how a diverse group of international firms develop their corporate political strategies (CPS) where the development of ePR is concerned, and whether the Hillman and Hitt (1999) model can explain how CPS was used by the international firms. The findings show that Hillman and Hitt's model is unable to reliably predict how firms used CPS in the development of ePR. The model's dichotomous conceptualizations of key concepts and poor integration of EU institutions in its propositions contribute to its explanatory weakness where the development of ePR is concerned.

Keywords: ePrivacy; corporate political strategy; European Union; data protection

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Sincerely,

Marin Lučić

List of Abbreviations

B2C	Business-to-consumer
CPS	Corporate political strategy
CPA	Corporate political activity
DSM	Digital Single Market
EP	European Parliament
EU	European Union
EUC	European Council
EUComm	European Commission
ePD	ePrivacy Directive
ePR	ePrivacy Regulation
GDPR	General Data Protection Regulation
ICT	Information communications technology
IoT	Internet of Things

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Introduction

1.1 Background and Context

In December of 2015 the EU reached a consensus on the world's most comprehensive data protection reform, the General Data Protection Regulation (GDPR) (EDPS, 2018). The GDPR, though being of EU origin, forced extraterritorial organisations to abide by the law to operate digital services in Europe. In 2017 the European Commission formally proposed a companion regulation to the GDPR, the ePrivacy Regulation (ePR). Together the GDPR and ePR are part of the EU's Data Protection Framework, an overhaul of the EU's legislative approach to legislative issues. (Gonzalez et. al., 2020). The goal of the ePR is to update outdated elements of the existing ePrivacy Directive (ePD), Directive 2002/58/EC. It aims to provide protection as regards the confidentiality of all communications, regardless of the medium used. The prospect of imposing strict privacy and security protocols on communications has drawn the attention of international technology conglomerates who have have an interest in minimising such proposed legislations effect on the profitability of their operations

The ePR was intended to come into force on May 25th, 2018, alongside the GDPR (Gonzalez et al., 2020). However, negotiations regarding the measure stalled. The regulation was amended by the European Parliament (EUP) but met opposition from the European Council (EUC). After three years of negotiations a consensus document was reached on the ePR and will now proceed into the final stage of negotiations between the European Commission (EUComm), EUC, and EUP.

In recent years the influence exerted by private interests in the development of the GDPR has been heavily discussed in the media. However, research on the influence of private actors regarding the development of the ePR remains scant, despite it being of comparable consequence to both businesses and consumers (Gonzalez et al., 2020). The ePR was also subject to intense lobbying efforts by domestic and international actors. To best understand how international technology and telecommunications firms have sought to influence the development

of ePR, this research will utilise Hillman and Hitt's (1999) Corporate Political Strategies (CPS) model. Hillman and Hitt's decision tree model has been cited as a seminal work on the topic of CPS by an array of scholars (Hillman et al. 2004; Rajwani et al., 2013). Its predictions have been put to the test in a host of contexts, including European nations, the US, and China (Hillman 2003; Luo, 2001). However, it has not been applied to the European Union (EU). Considering political developments in the EU which have shifted the locus of regulatory power away from national level and toward the supranational level, it is important to understand whether Hillman and Hitt's model is applicable at the EU level (Hix and Høyland, 2011).

1.2 Research Question and Relevance

The problem statement that will guide the investigation of this thesis is as follows:

Does Hillman and Hitt's Corporate Political Strategy Formulation explain how international firms use Corporate Political Strategies in the development of the EU's ePrivacy Regulation?

This problem statement seeks to explore the strategies applied by multinational companies on a contentious piece of EU legislation. It will use a congruence analysis to assess whether the seminal Hillman and Hitt CPS model holds for the EU level about the development of ePR. It will investigate what sort of relationship a series of independent variables have with three dependent variables, namely the decisions concerning CPS formulation. To achieve this goal this research will utilise a congruence analysis. Propositions provided by the Hillman and Hitt model will be converted into predictions, and those predictions will then be applied to five firms in their CPS on the development of ePR. There are four sub questions that this research will seek to answer in the process of investigating the research question: is Hillman and Hitt's CPS model applicable to the EU context? Do the predictions it sets forth hold for uniquely contentious regulation, particularly the ePR? Can the political activity and strategy of international companies in the EU still be accounted for by the Hillman and Hitt model? Does the Hillman and Hitt taxonomy of CPS need to be amended for the EU context?

The ePrivacy Regulation is a companion piece to the world's most comprehensive data privacy and security legislation and is immense in scope and depth. Once (or indeed, if) applied it will not only affect the life of every citizen in the EU, but also have spill over effects for internet users the world over. The ePR, much like the GDPR, is likely to spark a "Brussels Effect.": the EU's communications data privacy and security framework will be adopted by non-EU companies to reduce its operating costs and streamline operations (Economist, 2020). This intense lobbying efforts take place at a time when the political strategies of firms on regulatory processes have been stigmatised by the public and been labelled as ethically problematic and perpetuating negligent firm behaviours (Mantere et al., 2009; Williams 2019). In the EU, firms can use a host of methods to conduct CPS (Yoffie and Bergenstein, 1985). These methods include direct lobbying, voluntary agreements, political contributions, or, in more controversial situations, bribery (Delmas and Montes-Sancho, 2010). For example, in 2012, EU Health Commissioner John Dalli was forced to resign in a 'pay-for-play' scheme wherein he received millions in bribes to remove language in the EU Tobacco Products Directive (TPD) that would remove the ban on selling snus (Tobacco Tactics, 2020). More recently, the EU has been confronted by a flurry of lobbying activity in relation to sweeping regulatory changes in the data privacy space (Ruhonen, 2017). The lobbying activities for the GDPR and for the ongoing ePR have been described by EU insiders and outsiders as, "an onslaught", and "one of the worst lobbying campaigns ever seen." (EDRI [European Digital Rights], 2020; Kayali and Manancourt, 2021).

This research seeks to build upon a well-established body of literature exploring the political strategy of corporate actors, especially as it relates to international firms (Beyers et al., 2008; Schuler et al., 2002). Taminau and Wilts (2006) note that high-tech firms have found unique success in exercising CPS to influence regulatory developments along their preferences, while traditional media and telecom industries have not been able to emulate such success. However, previous literature has not explored the CPS of firms on prominent pieces of EU regulation. This is even though regulatory decision-making in the EU has increasingly shifted to the supranational

level and is commensurate in its process to national-level institutional arrangements (Hix and Høyland, 2011). The Hillman and Hitt (1999) model was created before the implementation of the Nice and Lisbon Treaties, which fundamentally altered the structure of policymaking in the EU (Hix and Høyland, 2011). Thus, this literature seeks to contribute to established CPS research by applying a seminal CPS model onto a contemporary context to test its applicability.

2. Literature Review

This chapter will serve as a review of extant literature concerning corporate political activity and strategies. First, CPS will be defined. Next, theoretical traditions that inform corporate political strategies will be chronicled. Thereafter, the three decision stages of the Hillman and Hitt (1999) model will be discussed; prevailing academic literature regarding their definition will be identified. The prevailing conceptualisations of each corporate political strategy - constituency building, information provision, and financial incentives - will be ascertained by presenting conclusions from relevant academic literature. Finally, the nature of interest representation at the EU level will be briefly discussed to clarify what environment CPS takes place in.

2.1 Corporate Political Activity and Strategies

2.1.1 Definition and Purpose

When researching corporate political strategies, it is important to distinguish the various terminologies being used in the discourse. While Hillman and Hitt (1999) explicitly refer to corporate political strategies in their model, other scholars use terms such as 'corporate political activity' (CPA) or 'business political behaviour' to denote similar action (Baysinger, 1984; Baysinger et al., 1985; Hillman et al., 1999; Rajwani et al., 2013). Corporate political activity is defined as "attempts by organisations to influence government processes so that the outcomes of these processes better reflect the goals of the given organization" (Hillman et al., 1999, 69). Organizations - both corporate and otherwise - engage in political activities to increase their own operating income by influencing policymakers in their favour (de Figueiredo and Silverman, 2002;

Frynas et al., 2006). In Hillman and Hitt's (1999) model, 'strategies' refers explicitly to a set of three unique long-term strategies (information provision, financial, and constituency-building) that firms may choose to employ in their political activity. These strategies are composed of short-term tactics, such as lobbying, employing former government officials, and engaging with the public on a policy issue through social media. Therefore, CPS can be conceptualised as *how* firms actualise their CPA. Continuously studying the *how* of political activity conducted by organisations is important because they vary over time, across institutions, and among policy fields - establishing a better comparative understanding of these variations provides the public and regulatory authorities with more information and transparency (Sun et al., 2010).

2.1.2 Theoretical Foundations of CPS

Analyses of corporate political activity and strategies have been conducted through several academic disciplines, including economics, sociology, political science, and management studies. The theoretical progenitors of corporate political strategy are identified as Mancur Olson (1968) and Fainsod (1940). Olson's (1968) book on the logic of collective action has been the cornerstone of research regarding lobbying strategies. His typology of interest group actors being classified as either "leaders" or "followers" is instrumental to the work of prominent CPS researchers, including Dür and Mateo (2012), Yoffie and Bergenstein (1985), and Hillman and Hitt (1999). Fainsod (1940) pioneered a resource-based view on corporate activity in the political arena to explain how firms shape regulations to their benefit, identifying three key resources: financial resources, human resources, and political resources. Hillman and Hitt (1999) explicitly state that their model makes extensive use of such a resource-based view. Contemporary researchers have sought to clarify the theoretical convergences and divergences of CPS research. Rajwani et al.'s (2013) comprehensive literature review of CPS research classified research on the matter into two unique theoretical domains: resources theories and institutional theories.

The first domain, resource capabilities, is concerned with understanding how a firm's resources affect its capabilities. Research grounded in resource dependence theories seeks to understand

CPA by understanding how a firm's market resources are applied in non-market environments (Boards et al., 2006; 2003; Bonardi et al., 2006; Helfat and Peteraf). The earliest conceptualisation of 'resources' in the CPA domain comes from Fainsod (1940) but was elaborated upon by Attarca (2000) and Dahan (2005), who identified a distinction between political capabilities (technical expertise in lobbying), and political resources (permanent regulatory persons, formal relationships with political actors, public relations, corporate responsibility, financing of political campaigns). Further research by Capron and Chatain (2008) examine the settings in which these resources and capabilities are applied. They draw a distinction between endogenous policy contexts and exogenous policy contexts. Endogenous policy contexts are predictable regulatory policies that a firm can prepare for, while endogenous policy contexts are policies which take shape due to shocks (Capron and Chatain, 2008).

The second domain, institutionalism, seeks to explore in how far firms' CPS are informed by the culture, laws, and history of the context in which they are embedded (Rajwani et al., 2013). Most of the research on CPS has been conducted on capitalist, democratic institutional settings, with developing and non-western institutional contexts drawing comparatively little attention from researchers (Jackson and Deeg, 2008). Much CPS literature has been devoted to the study of strategies employed by corporations in the USA context (Rajwani et al., 2013; Ryan et al., 1987; Vogel, 1996). This can be attributed to the passage of the 1970s Legislation Reorganisation Act during the Nixon Administration, which made it far easier for researchers to acquire documents and information related to the influence of private actors and special interests on policymakers in Congress (Fremeth et al., 2016; D'Angelo and Ranalli, 2021). When compared to the US institutional arrangements, the EU's regulation regarding disclosure and transparency of special interests is laggard. Mandatory registration of a firm's lobbying practices through the Register, for example, was only introduced in the early 2010s (Joint Transparency Register Secretariat, 2019). Both Mahoney (2008) and Werner and Wilson (2010) postulate that this discrepancy can be attribute to the fact that the EU's firm-government relations are "less conflictual than those in the US" (pg. 263). And whereas CPA literature in the institutional domain seeks explore the more

intangible elements of factors that affect the passage of legislation, research of CPS in political environments - a subset related of institutional theories - focus on the tangible elements of institutions which inform CPS, such as formal rules and norms (Rajwani et al., 2013).

2.2 Decision One: General Approaches

The first decision that corporations make when choosing which strategies and tactics to apply in their corporate political activity and strategies is its general approach. There are two approaches firms can take in this regard: relational and transactional (Hillman and Hitt, 1999). Transactional approaches are defined as “where firms await the development of an important public policy issue before building a strategy to affect this issue.” (Hillman and Hitt, 1999, pg. 828). This means that a transactional approach to CPS is typified by short-term exchanges. Conversely, a relational approach is classified as a long-term relationship between corporate actors and policymakers (Hillman and Hitt, 1999). Hillman and Keim (1995) conceptualize the relationship between corporate actors and policymakers as akin to a market exchange relationship, whereby there are both “demanders” and “suppliers”.

The transactional approach is characterised by the salience of the policy at hand - salient issues pertinent to a corporation's interests will incentivise corporations to exercise political strategies in that policy domain (Hillman et al., 2004; Schuler and Rehbein, 1997). Organizations using transactional approaches will engage with policymakers once a specific policy issue becomes of interest to the organisation. Conversely, relational approaches are characterised by consistent firm-government relations over several policy domains across a long period of time. By engaging with policymakers across many issues over a long period of time, organisations can accumulate social capital (Hillman and Hitt, 1999). Social capital is defined as “networks of strong, crosscutting personal relationships developed over time that provide the basis for trust and cooperation” (Nahapiet and Ghoshal, 1998, 243). The accumulation of social capital is effectively a self-perpetuating cycle: the more social capital a firm accumulates, the more it is able to

establish trust with policymakers, which allows for both corporate and political actors are able continue exchanges, which provides both with more social capital (Hillman and Hitt, 1999).

Within the EU, and specifically the EUComm, encourage corporate actors to adopt a relational term approach in their EU political strategy (Coen, 2007; Coen, 2009). Taminiau and Wilts (2006) agree, with the caveat that transactional approaches are still used by a variety of actors in the EU. However, they make the argument that transactional approaches are “generally less rewarding” for corporate actors in the EU (Taminiau and Wilts, 2006, 124). When political strategies are understood as a demand-supply relationship between private actors and policymakers, employing repeat transactions generates social capital that can be used across policy domains.

2.3 Decision Two: Levels of Participation

Hillman and Hitt's (1999) CPS model conceptualises levels of participation dichotomously, as either individual action (the efforts of individual firms) and collective action (the collaboration of two or more firms). They use Olson's (1968) logic of collective action to justify their dichotomous conceptualisation of individual action as parsimonious. The logic of collective action postulates that firms are liable to act as individuals to avoid the problem of free riding, which provides benefits to secondary or tertiary actors who have not assumed any costs. The benefit of collective action is that it provides legitimacy to the interests of parties when they act as a collective (Olson, 1968). However, whether the distinction between collective and individual participation as clear dichotomy is not reflected in other research on corporate and interest group political activity. Research by Ozer and Lee (2012), Rasmussen and Alexandrova (2012), and Ruohonen (2017) provides evidence of corporations utilising both individual and collective approaches in their CPS on a variety of policy issues. While Coen (1997) did conceptualise a clear distinction between collective and individual approaches to CPS, he found that firms do indeed engage in both collective action and direct lobbying (a practice which is undertaken on an individual basis) on a single policy issue. Coen's (1997) research also found that use of collective and individual

participation activities in the EU complement one another. Other research concludes that individual and collective levels of participation are not mutually exclusive, as firms are likely to adjust their levels of participation to take advantage of opportunities that arise in policymaking when decision-making is dispersed across various venues (de Figueiredo and de Figueiredo, 2002; Richardson, 2000). Binderkrantz (2005) also observes that interest groups are liable to form coalitions to take advantage of unique opportunities in the development of policy. Coen (2007) and Barnett (2006) strengthen this assertion by arguing that a firms' limited resources mean that it needs to strike a cost-effective balance between applying collective and individual levels of participation.

The strengths of collective action include the ability to influence policymakers through a unified voice and shifting the political climate to the collective's favour (Barnett, 2006). Research has also shown firms will choose to pursue collective action because other firms in their industry are doing so. This decision is explained by institutional theory through 'mimetic isomorphism', whereby firms replicate the best practices of other firms for their own benefit (Tucker, 2008). Individual approaches allow for firms to efficiently allocate resources when conducting political activity and allows for firms to pursue their own interest without the need to compromise with a collective.

2.4 Decision Three: Strategies and Tactics

Hillman and Hitt' (1999) taxonomy of strategies all corporations seek to understand how firms select to implement CPS. The three strategies are: information strategies, financial incentive strategies, and constituency-building strategies. Hillman and Hitt (1999) clarify those strategies are long-term activities that are composed of specific tactics that can be used in the short term. Taminau and Wilts (2006), Hillman (2003), and Hillman and Hitt (1999) all clarify that neither the strategies nor the tactics are mutually exclusive. In fact, research on corporate political activity has shown that many of these tactics are complementary and mutually reinforcing (Fremeth et al., 2016; Schuler et al., 2002). In their study of corporate activity in the US, Schuler et al., (2002)

show that “the decision to become politically active is more likely to favour combining tactics” (pg. 668). This section will conceptualise each of the three strategies, when they are likely to be used, to what end, and which tactics they comprise.

2.4.1 Constituency-building strategies and tactics

According to Hillman and Hitt (1999), constituency building strategies are long-term activities conducted by firms which seek to “influence public policy by gaining support of voters and citizens, who, in turn, express their policy preferences to political decision makers” (pg. 834). Constituency-buildings call upon stakeholders (such as employees, suppliers, trade associations, local activists, and individuals) to use their own resources to influence public policy (Baysinger, 1985). Walker (2014) considers constituency building strategies to be popular and important for corporations, whereas Lord (2003) goes as far to say that engaging “a wide variety of corporate stakeholders offers the potential for political influence beyond any other [strategies]” (pg. 124).

Figure 1 shows which short-term tactics a firm is liable to use in its long-term constituency-building strategy according to Hillman and Hitt (1999). The tactics firm can use are grassroots mobilisation of employees, customers, and consumers, advocacy advertising, public relations, press conferences, and political education programmes. Lord’s (2003) taxonomy builds on Hillman and Hitt (1999) in a variety of ways. It specifies that non-constituents are considered irrelevant, gives more details regarding what type of communication should be considered, a pertinent detail considering the rise of social media. In-person visits, telephone calls, petitions, and letters - personal approaches - are also more likely to beget an effective constituency-building strategies. The research of both Hillman and Hitt (1999) and Lord (2003) were conceptualized prior to the rise of social media platforms such as Twitter, Facebook, and Instagram, which have become popular vehicles for business-to-consumer (B2C) communication, and thus essential to constituency-building strategies (de Bruycker, 2019; Scott 2010).

Figure 1. Taxonomy of Political Strategies, adapted from Hillman and Hitt (1999) (835)

Strategy	Tactics	Characteristics
Constituency-building strategy	<ul style="list-style-type: none"> - Grassroots mobilisation of employees, suppliers, customers, etc. - Advocacy advertising - Public relations - Press conferences - Political education programs 	Targets political decision makers indirectly through constituent support
Information provision strategy	<ul style="list-style-type: none"> - Lobbying - Commissioning research projects and reporting research results - Testifying as expert witnesses - Supplying position papers or technical reports 	Targets political decision makers by providing information
Financial incentive strategy	<ul style="list-style-type: none"> - Contributions to politicians or party - Honoraria for speaking - Paid travel - Personal service (hiring people with political experience, or having firm members run for office) 	Targets political decision makers by providing financial incentives

2.4.2 Information Provision Strategy and Tactics

The information strategy is defined by Hillman and Hitt (1999) as a corporate actor's provision of information to policymakers specific to certain issues. Examples include data on preferences of constituents and firms, costs and benefits of policy trajectories, and technical expertise. Because each national and supranational entity has unique rules and regulations regarding the provision of information to policymakers, specific attention must be paid to how corporate actors utilise information provision strategies in the EU. There are several tactics firms can use when exercising information strategies: lobbying, commissioning research projects, providing expert testimony to government bodies, and supplying position papers or technical reports.

The relationship between private actors who provide information to policymakers, and policymakers who provide access to private actors in the development of policy, has been conceptualised as an exchange relationship between policymakers who provide access to actors

who in turn trade ‘access goods’ (i.e., information which can enhance the quality of policymaker’s work) (Bouwen, 2002; Dür and Mateo, 2002; McLaughlin and Jordan, 1993). This relationship is actualized through lobbying, which Hillman and Hitt (1999) consider to be an essential tactic within information provision strategies. Lobbying has become a more prominent subject of study within the EU context following the increase of lobbying activity in the 1980s and 1990s (Bendor and Mookherjee, 1987; Hix and Høyland, 2011). McLaughlin and Jordan (1993) explain that the elevation of lobbying as an essential information tactic in the EU is reflected by the fact that “most companies [and interest groups]” have opened an office in Brussels, the headquarters of EU policymaking (pg. 192).

Lobbying can be conceptualised as a situation that takes occurs because “wherever government makes decision that affect the interest of different groups, those groups will seek to influence the decisions in their favour” (Mack, 2005, pg. 339). Understood from this perspective, lobbying is not only the exchange of money for access. Rather, it should be understood as any attempt to influence public policy. The information provided by interest groups - including private enterprise in the industry, consumers, professional organisations, civil rights groups, and NGOs - provides policymakers with the ability to address gaps in knowledge produced by resource limitations (Baumgartner et al, 2009). As such lobbying can be understood “seeking to influence legislation, policy, or regulation. [this] includes the different forms of communication and research activities which underpin, inform, and support the formation of policy” (Corporate Europe Observatory [CEO], 2011).

The EUComm is the most frequent target of lobbying activities (Dür and Mateo, 2012; Hix and Høyland, 2011; McLaughlin and Jordan, 1993). Its limited size and resources leave it reliant on information provision by private actors for effective policy development. It is also the only organ of the EU system which provides the public with clear and accessible accounts of its interactions with lobbyists. Firms engaging in lobbying activity with the EUComm are required to register their lobbyists, expenditures, and relevant policy fields of operation to the EU Transparency Register.

There is evidence to suggest that larger firms with substantial financial resource and industry-leading research and development are better able to provide EU policymakers with critical information and are those afforded better access (Dür and Mateo, 2012; Taminau and Wilts, 2006). Taminau and Wilts (2006) postulate that a firm's ability to communicate on such matters with other businesses translates to a policymaking setting as well.

2.4.3 Financial Provision Strategies and Tactics

The third strategy conceptualised in Hillman and Hitt's CPS model is the financial incentive strategy. Hillman and Hitt (1999) conceptualise it as "the attempt to influence public policy by directly aligning the incentives of the public makers with the interests of the principals through financial inducements" (pg. 834). Four tactics are described in this strategy: contributions to politicians or party, honoraria for speaking, paid travel (and other expenses), and personal services (i.e., hiring people with political experience) (Hillman and Hitt, 1999). It is easy to conflate the resource used in a financial incentive strategy (money) with those used in an information provision strategy (information). Lobbying is considered an information provisions strategy because the private actors seek to provide policymakers with information in exchange for access; the fact that firms pay lobbyists to exchange such information most effectively does not qualify lobbying as a financial incentive strategy under the Hillman and Hitt model. However, there is contention in the literature regarding this conceptualisation. Ansolabehere et. al (2002) present evidence of a robust link between the political contributions of interest groups and their lobbying expenditures, albeit in the US context. Other conceptualisations of financial strategies have also established a link between lobbying and political contributions (Schuler et al., 200w).

The EU's regulatory environment regarding private contributions to political parties is very distinct from the US'. The EU only legalised political contributions to EU political parties in 2008, whereas such activity has been legal in the US for decades and subject to intensive scholarship (Katsaitis, 2020). At the EU level, contributions can only be made to political parties and are capped at €18,000 per year and donor (Vuylsteke and de Boe, 2021). As such, using political contributions

as a means of conceptualising the financial incentive strategy in the EU is not useful. Firms can only donate a relatively negligible amount, only to parties (not specific candidates), and only once per year. This also applies to honoraria and paid travel (and other expenses).

3. Theoretical Framework

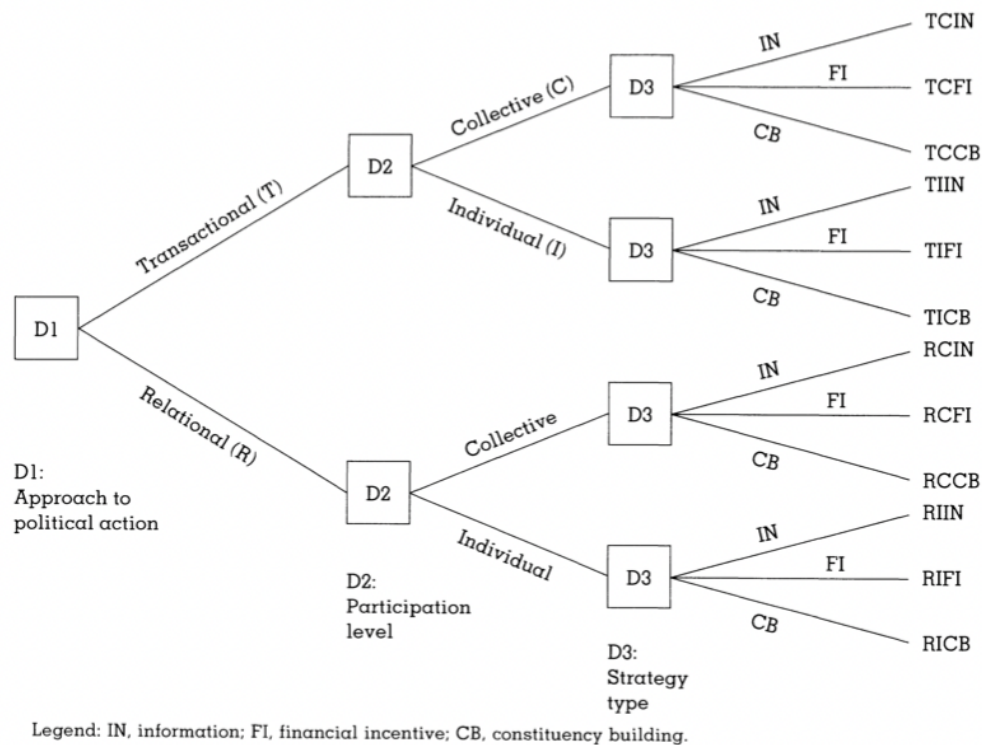
This chapter will first articulate the propositions provided by the Hillman and Hitt (1999) model of CPS. Predictions will then be extrapolated from these propositions for the CPS of firms on the development of ePR.

3.1 Hillman and Hitt's Corporate Political Strategy Formulation

Hillman and Hitt (1999) thus sought to provide a model for how best to understand not *why*, but *how*, firms engaging in politically motivated activity. Hillman and Hitt (1999) created a taxonomy of strategies and tactics firms will employ during their CPS. Because of the increased quantity and expanded scope of public policy reforms, it has become functionally essential for firms to act proactively where public policy regarding their interests is concerned Blumentritt (2003). This model is divided into three decisions, as illustrated by Figure 2. In the first decision, firms must choose a relational or transactional approach. In the second decision, firms choose whether to use individual or collective participation. In the third decision, firms choose specific strategies and tactics. Hillman and Hitt (1999) identify variables which are likely to inform a firm's decision calculus for each stage. Each prediction is informed by an independent variable, the

operationalisation of which will be discussed in subsequent chapters. The predictions for each decision can be tested in the EU context where a specific case (ePR) and units of analysis (firms) have been identified.

Figure 2. Hillman and Hitt Corporate Political Strategy Model, from Hillman and Hitt (pg. 837)



It is important to note that certain propositions in the Hillman and Hitt (1999) model are specific to firms using a relational or transactional approach. However, no units of analysis in this study have been identified as using a transactional approach. Therefore, propositions specific to the transactional approach will not be tested. These propositions are as follows:

Proposition 6: A firm is more likely to use collective participation with election issues and when it has chosen a transactional approach to political strategy.

Proposition 7: Firms or collectives are more likely to use a constituency-building strategy if the firm or collective has chosen a transactional approach to political action and the issue is in the public opinion formation state.

Proposition 8: Firms or collectives are more likely to use an information or financial incentive strategy if the firm/collective has chosen a transactional approach to political action and the issue is in the public policy formulation stage.

Hillman and Hitt's model provides unique propositions for firms using a relational approach and firms using a transactional approach. Each of the propositions listed are specific to firms which use a transactional approach. They are not testable with firms using a relational approach. With proposition 6, the condition for its testing necessitates a firm's use of a transactional general approach. In proposition 7 and 8, the same is true, and includes the consideration of the policy's location in the policy cycle: public opinion formation, public policy formulation, and public policy implementation. Firms using a transactional approach only engage in CPS once an issue has assumed significant salience for the firm's interest, and as such must choose where along the policy cycle to begin their engagement (Hillman and Hitt, 1999). Firms using a relational approach are continuously engaging in CPS across issues and time and will therefore use CPS based on the resources available to them, not based on what stage a policy is in the policy cycle. The absence of units of analysis using transactional approaches, and the effects this will have on the internal validity of this study, will be discussed in Chapter 7.

3.1.1 General Approach

According to Hillman and Hitt, the first decision a firm must make when seeking to engage in political strategies is to ascertain whether they will pursue a *relational* approach or a *transactional* approach. Transactional approaches are conceptualised as situations wherein firms adopt a political strategy in response to a single, salient issue (Hillman and Hitt, 1999). In a transactional approach, firms monitor the development of specific public policy issues and formulate a

response once the policy has been developed to a significant extent. Conversely a relational approach is conceptualised as a long-term strategy, whereby firms pursue strategies meant to “build relationships across issues over time,” so that when new public policy developments arise that inform their cost-benefit calculations, the “contacts and resources needed to influence [the] policy are already in place” (Hillman and Hitt, 1999).

Three variables affect a firm’s calculus when it comes to choosing between a transactional or a relational approach to political action: the degree to which firms are affected by government policy, the level of firm product diversification, and the degree of corporatism/pluralism within the country in which firms are operating.

This first proposition states that firms operating in environments with low regulation, or with low dependence on government policies, are more likely to engage in political activity through a transactional approach (Hillman and Hitt, 1999). Maintaining deep networks of relationship with policymakers would not be financial practical if the firm operates in an environment with few regulations. The first proposition is then as follows:

*P1: Firms with a higher perceived or actual **dependence on government policy** are more likely to use a relational approach to political action.*

Hillman and Hitt first assert that businesses that are single businesses, or firms with high related-product-diversification (meaning they produce many similar products), will pursue a relational approach. Hillman and Hitt (1999) do not operationalise what constitutes single-business firms or product diversification. Modern theories of corporate strategy state that firms which generate more than 70% of their revenue from a single business model qualify as ‘related-product-diversification’ firms; firms with less than 70% of revenue generated from a single business qualify as ‘unrelated-product-diversification’ (Hitt et al., 2016). Hillman and Hitt state that the nature of single-business firms or firms which produce related products operate in focused domains.

Focused domains provide opportunities for specialised political capital, which they conceptualise as “relationships with decision-makers, in-depth information on a particular policy domain, and so on,” and are likely to engage in such opportunities to advance their interests (Hillman and Hitt, 1999, pg. 829). The proposition for the second variable is thus as follows:

*P2a: Firms with more **related-product diversification** (or that are a single business) are more likely to use a relational approach to political action.*

*P2b: Firms with more **unrelated-product diversification** are more likely to use a transactional approach to political action.*

Every nation and supranational governing entity that allows for advocacy by interest groups has a unique model of interest representation. Hillman and Hitt’s (1999) Proposition 3 operate under the assumption that countries and supranational bodies’ model of interest representation is either pluralist or corporatist. Proposition 3 states that firms are more likely to use relational approaches in corporatist systems because “corporatism emphasises cultural traits of cooperation and consensus,” whereas opportunist methods of CPS are viewed with suspicion (Hillman and Hitt, 1999, 830). This means that in corporatist contexts, firms will most likely seek a relational approach to political action in order to acquire social capital in the long term. In pluralist countries, Hill and Hartman state that the competition is likely to shift between interest groups, and as a result presenting companies with “the opportunity to act more selectively” (Hillman and Hitt, 1990, 830). The ability to engage selectively is commensurate with a transactional approach. The proposition for the third variable is thus as follows:

*Proposition 3a: Firms are more likely to use a relational approach to political action in more **corporatist** countries.*

*Proposition 3b: Firms are more likely to use a transactional approach to political action in more **pluralist** countries.*

3.1.2 Levels of Participation

Hillman and Hitt draw on Mancur Olson's (1968) work to identify two levels of participation that interest groups may adopt: individual and collective. *Individual* action is conceptualised as political action undertaken by an individual entity. *Collective* action is defined as the "collaboration and cooperation between two or more entities in the policy process." (Hillman and Hitt, 1999, 831). Once firms have chosen whether to adopt relational or transactional political action approaches, Hartman and Hill's Political Strategy Formulation states that they must choose whether to pursue either choice individually or as a collective.

The advantage collective action presents is that the cost of political action, such as interest representation, is shared among all members (Hillman and Hitt, 1999; Olson, 1968). Larger firms with greater financial resources have the ability to tailor their political action in such a way that it best favours the interests of their own firm. Moreover, firms that possess expert knowledge about the policy in question are gauged to be more like to act independently, whereas firms with low expert knowledge will most likely act collectively. Low-resource-and-knowledge firms are likely to pool their resources and knowledge to create economies of scale and synergies that allow them to act more forcefully in political action (Hillman and Hitt, 1999). The proposition for the first variable to affect levels of participation is then as follows:

*Proposition 4a: Firms with greater **financial resources** and/or other intangible resources, such as knowledge or influencing public policy, are more likely to use individual participation regardless of general approach chose*

*Proposition 4b: Firms with fewer **financial resources** and/or other intangible resources, such as knowledge or influencing public policy, are more likely to use collective participation regardless of general approach chosen.*

In the political processes of pluralist nations, the multitude of interest groups present in any given policy arena means that political and economic power is fragmented (Hillman and Hitt, 1999). As a result, interest groups and firms are not required to compromise their interests with other groups in order to influence policy process. Thus pluralist systems incentivise groups and firms to advocate for their individual interests in the political process. Conversely, corporatist system are generally the result of cultural trends that promote consensus and cooperation (Hillman and Hitt, 1999). As a result affecting public policy through individual action in corporatist systems is limited, incentivising firms to work with others and participate in politics collectively rather than individually. The proposition for the second variable to affect levels of participation is as follows:

*Proposition 5a: Firms are more likely to use **collective participation** in more corporatist countries, regardless of approach chosen.*

*Proposition 5b: Firms are more likely to use **individual approaches** in more pluralist countries, regardless of approach chosen.*

3.2.3 Strategies and Tactics

Hillman and Hitt (1999) conceptualise the public policy process as a market. This market is populated by suppliers of policy and those demanding certain policies - the relationships between suppliers and demanders is characterised by “mutual interdependence,” also known as ‘exchange theory’ (Hillman and Hitt, 1999). Suppliers are motivated to supply policies through three strategies effectuated by firms: the provision of information, financial incentives, and indirect pressure through constituency-building. It is important to note that strategies denote long-term patterns of behaviour, and as such each of these three strategies may employ *tactics* in the short term.

It should also be mentioned that these strategies are not mutually exclusive. It is likely that a configuration of strategies can be used, especially as it relates to the European Union (Hillman and Hitt, 1999; Grant, 1993).

Hillman and Hitt (1999) state that the key determinants of relational approaches are not based on where a policy is within the policy cycle, but rather the resources at the organisation's disposal. Specifically, they identify two variables that can affect the choices of strategies for relational approach in the third decision set: credibility and employment base (Hillman and Hitt, 1999). Hillman and Hitt have incorporated credibility because it is "the most important characteristic of effective lobbyists in the US, EU, and most Asian nations (Hillman and Hitt, 1999, 836). They state that to have a firm's information - which it can exchange for influence and access to policymaking - acceptable, it needs to be perceived by policymakers as credible. However, they do not provide a means of assessing to what degree a firm is credible or not credible. Thus, they provide the following proposition for which variable is likely to affect a firm's political strategy and tactics in a *relational* approach:

*Proposition 9: Firms or collectives with **greater credibility** are more likely to use an **information or a constituency-building strategy** if the firm or collective has chosen a **relational approach** to political action.*

Hillman and Hitt (1999) argue that the number of employees in a firm or interest group is related to its ability to build a constituency. The goal for constituency building is to educate the public on the particulars of a given policy and then to incentivise the public to become active in campaigning for said policy along the firms' preferences. A larger employment base increases the likelihood of a firm having access to a greater number of constituencies involved in the decision-making process. As a result, Hillman and Hart 10 proposition is:

*Proposition 10: Firms or collectives with **large employment/membership bases** are more likely to use a **constituency-building strategy** if the firm or collective has chosen a **relational approach** to political action*

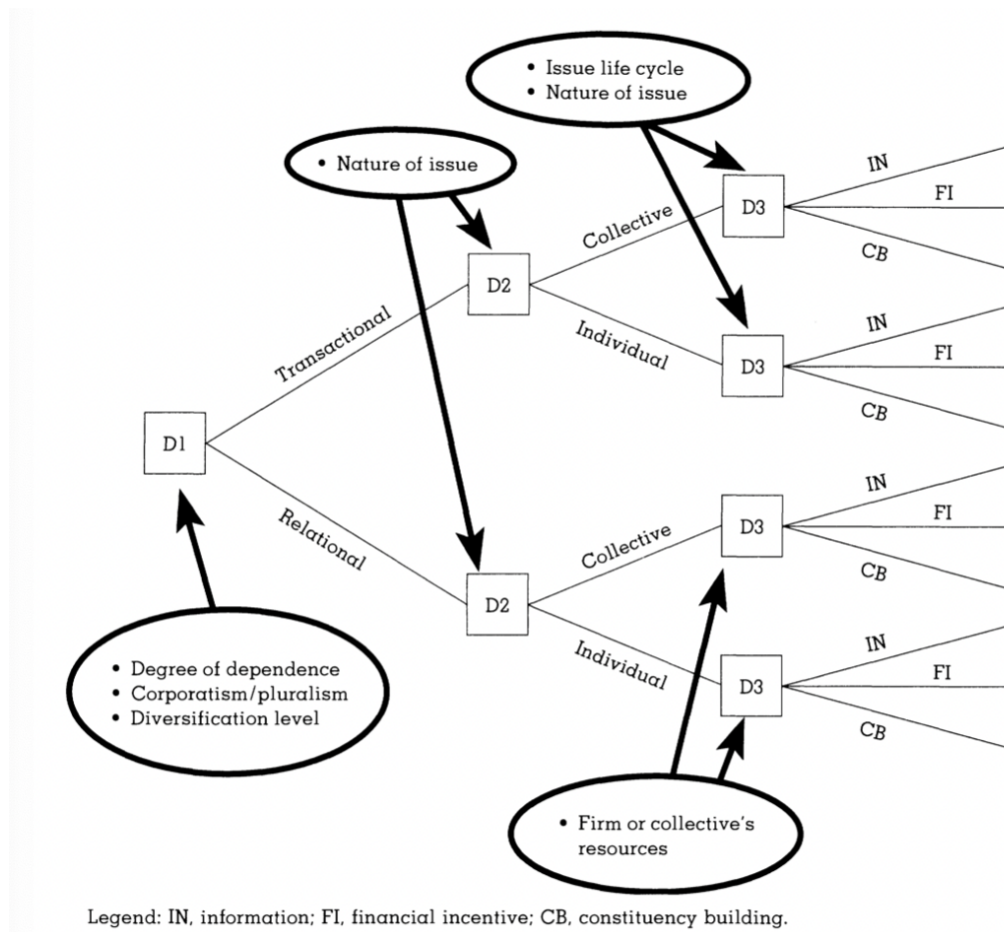
Figure 3. Variables Affecting Each Decision; from Hillman and Hitt, 1999, 838

Figure 3 provides an illustrated summary of precisely which variables are likely to affect how each firm approaches each of the three decisions.

3.2 Establishing Predictions

The propositions provided by Hillman and Hitt in their model must be situated within the appropriate context to be tested. To do so, the predictions are situated within the ePR and EU. They mirror the propositions put forth by Hillman and Hitt (1999) but are context-specific to this research. However, propositions 6, 7, and 8 are not reflected in the predictions below. Because these propositions are predicated on firms using a transactional general approach, and this

research does consist of any international firms using a transactional approach, these propositions cannot be developed into testable predictions.

Decision 1: General Approach to Political Action

1. Prediction 1a: Firms with a more dependence on government policy will use a more relational approach in their CPS
2. Prediction 1b: Firms with a revenue stream primarily from a single business will utilise a relational approach in their CPS
3. Prediction 1c: Because the EU is characterized as a pluralist system of interest representation, firms will use a transactional general approach.

Decision 2: Levels of Participation

1. Prediction 2a: Firms with fewer financial resources than their counterparts will be party to more ePR-related trade, professional, and industry associations active than their counterparts.
2. Prediction 2b: Because the EU is a pluralist system, all firms will use more individual participation than collective participation in their ePR CPS.

Decision 3: Strategies and Tactics

1. Prediction 3a: Firms using a relational approach with higher credibility than their counterparts will use more information or constituency-building strategies and tactics than financial strategies and tactics in their ePR-related CPS.
2. Prediction 3b: Firms with larger employment bases than their counterparts and using relational approaches are more likely to use constituency-building strategies and tactics than information provision or financial incentive strategies and tactics in their ePR-related CPS.

4. Research Design

This chapter will discuss the details of this research's design. First, the distinction between qualitative and quantitative research designs will be delineated, and the choice of a qualitative research design justified. Next, the selection of a congruence analysis will be justified, and its application in this research clarified. Thereafter, key variables will be operationalized. Finally, the data collection methodologies will be discussed, their application in this research elucidated.

4.1 Selection of Available Designs

4.1.1 *Qualitative vs. Quantitative Research Designs*

Quantitative research designs are denoted by a large-N sample of cases. They can be conducted cross-sectionally (over a single period), or longitudinally (over an extended period). Generally speaking, large-N quantitative research designs have a high external reliability but a low internal validity (Neuman, 2014). Internal validity refers to the degree to which research can establish a cause-and-effect relationship between an independent and dependent variable, whereas external reliability refers to how well the findings of specific research can be applied outside the context in which it was researched.

On the other hand, qualitative research designs are typified by a small-N sample of cases. Instead of seeking to establish a correlation between a broad set of cases, qualitative studies seek to explore the possible causes, relationships, and effects taking place within a specific context. As a result, small-N qualitative research possesses low external reliability but high internal validity. This means that the results of qualitative research cannot be generalised to other contexts, as the investigation of relationships between variables is limited to a single domain.

While this research seeks to understand whether the Hillman and Hitt model is applicable to the EU context, it seeks to do so by evaluating whether it is applicable in a single case, namely the ePR. Using a single case necessitates a qualitative approach. The use of a single case is justified

because the ePR has been subject to a “lobbying onslaught” and intense interest by corporate actors and interest groups (EDRi, 2019). Moreover, investigating a single case study as it relates to CPS is necessary as the current literature on CPS research is lacking “in-depth analysis of firms engagement in political actions,” with a dearth of qualitative studies investigating the details of prominent regulatory developments (Getz, 1997; Ozer and Lee, 2006). While the results of qualitative research on a single case study cannot be reliably generalised, the ePR case is an outlier case that warrants investigation, and fills a gap in the literature

4.1.2 Case Study and Congruence Analysis

Because this research is focused on exploring the effects of independent variables on a dependent variable within a single case, a qualitative research design is most appropriate. L.W. Neuman (2014) states that a case study investigates ‘one or a small set of cases, focusing on many details within each case and the context’ (pg. 42). The purpose of case studies is to maintain a focus on one or very few cases but tell a larger story. Case studies make use of “detailed, varied, and extensive” data (Neuman, 2014, pg. 42). They provide conceptual validity by identifying variables that are of the greatest interest and provide the opportunity for further learning where the investigation of theoretical boundaries is concerned. This is critical to this research design, as the research question is designed to test the theoretical relevance, applicability, and boundaries of an explanatory model in a specific context. The model’s predictions are composed of individual variables which Hillman and Hitt (1999) believe can explain how firms conduct CPS. The focused nature of case studies establishes clear causal mechanisms.

The nature of the research question necessitates a congruence analysis (CON). Blatter and Haverland (2012) define CON as “a small-N research design in which the researcher uses case studies to provide empirical evidence for the explanatory relevance or relative strength of one theoretical approach in comparison to other theoretical approaches.” (pg. 144) This thesis will use the former approach - providing evidence for the explanatory relevance [of a theory] - to assess to

what degree the CPS formulation can be used to explain the political strategies employed by multinational corporations on the ePrivacy Regulations. According to Blatter and Haverland (2012), a CON approach seeking to evaluate the explanatory power capacity of a theory needs to utilise two methodological controls to prevent epistemological relativism. The first (or vertical) element consists of deducing specific propositions and concrete predictions from abstract theory and comparing these expectations with empirical observations (Blatter and Haverland, 2012). The second (or horizontal) control element is the ability to show that a theory's implications correspondence with empirical observation provide a great explanatory capacity than other theories (Blatter and Haverland, 2012). As a result, a notable drawback of evaluating the explanatory capacity of a single theory is that it does not contain the horizontal element of control. However, it is also the case that a larger number of theories reduces the number of expectations and observations one can consider for a particular theory. Considering the number of propositions included in the CPS model, adding more theories would jeopardise the ability of this research to provide each proposition to "analyse the congruence between expectations and observations for as many aspects as possible." (Blatter and Haverland, 2012, 175). Congruence analyses have three benefits which are conducive to this research. First, they can answer 'how' and 'why' questions, which are key to this research question. Second, congruence analyses provide in-depth analysis of a single case. In terms of this research, this is suitable because the research question is focused on a single case. Lastly, congruence analyses allow for the consideration of multiple types of evidence. Considering the high number of propositions offered in the CPS model, this is a key prerequisite. The weak external reliability of case studies limits the applicability of conclusions to the development of ePR, and cannot be transposed to other contexts.

4.2 Operationalisation of Variables

Each step of the Hillman and Hitt model provides a dependent variable for which several independent variables are identified that Hillman and Hart state are likely to influence the selection of the independent variable. As such, this research will need to precisely operationalise the three

steps of CPS to empirically test their applicability to the units of analysis selected within the case (ePrivacy Regulations).

4.2.1 Generic Approach:

Dependent Variable

In the Hillman and Hitt model the distinction between the general approach utilised by corporate actors is twofold: transactional or relational. Hillman and Hitt do not provide a criterion by which these two variables can be operationalised in future research. They instead define the transactional approach as, “where firms await the development of an important public policy issue before building a strategy to affect [an] issue,” whereas the relational approach is defined as, “attempting to build relationships across issues and over time” (Hillman and Hitt, pg. 828). The key difference between these two approaches is the “length and scope” of continued activity and exchange (Ibid.). Transactional approaches refer to a short-term exchange relationship and interaction, whereas relational approaches denote a long-term exchange interaction.

Previous authors have sought to operationalise this concept. In his study of the links between founding family firms and corporate political activity, Michael Hadani (2007) utilises Hillman and Hitt’s model to justify investigating the transactional vs. relational approaches. Transactional corporate political approaches are defined as “the ratio of external lobbying expenditures and PAC contributions to total financial expenditures,” whereas relational corporate political approaches are defined as “the ratio of soft money expenditures to total financial expenditures” and “the use of in-house lobbyists as part of a firm’s lobbying effort” (Hadani, 2007). This operationalization is unique to the US context. There are fundamentally different structures regarding the election of EU officials and are guided by different rules which regulate how firms may participate in such activity.

Hillman and Hitt (1999) do indicate three trends that reflect an increase in relational approaches in both the United States and Europe: the presence of government relations offices in a locus of political decision making, employing full-time representatives located in these loci, and employees dedicated to government relations being employed by the firm. In later research, Hillman (2003) uses a survey of over 150 firms to ascertain whether they utilise relational or transactional approaches. However, such methodology is not commensurate with qualitative research. As a result, this research will utilise the indicators of relational approaches provided by Hillman and Hitt (1999) to operationalise the relational/transactional approach of the units of analysis in this research. Three different components will be assessed:

- (a) Does the firm in question have a dedicated office in Brussels?
- (b) Does the firm in question have employees dedicated to EU relations?
- (c) How many lobbyists does the firm employ at the EU level?

If the answer to questions (a) and (b) is yes, then the firm utilises a relational approach. If the answer to either question is no, then it can be inferred that the firm uses a transactional approach, as it is liable to employ lobbyists or make use of its Brussels office only when a specific policy issue arises. The answer to question (c) will indicate to what degree the firm is relational in comparison to its counterparts. Firms with more EU lobbyists employed 2015 and 2020 will have invested a greater amount of money in establishing relationships with representatives in both the Commission and Parliament, while those with fewer lobbyists employed during this period will have invested less in establishing lasting relationships with EU representatives. A summary of which firm qualifies as having a relational or transactional approach can be found in Figure 4

The data for the dedicated Brussels office and employed EU lobbyists is sourced from lobbyfacts.eu, a private organisation that monitors interest group activity at the EU level and displays observations (such as office location, lobbying representatives, meetings with the EUComm, etc). The choice of a Brussels office - as opposed to an office in another European city

- is rationalised by the fact that EU-level operations are conducted primarily in Brussels. Whether or not a firm employs full-time EU Government Affairs and Relations employees can be ascertained from LinkedIn profiles, whereby individual employees at each firm indicate conducting such work. It is possible to acquire such information by inputting keywords into the LinkedIn search function, such as, '[company name] + EU government relational + affairs'. However, data regarding the number of employees specifically conducting EU government affairs and relations cannot reliably be ascertained from LinkedIn, Lobbyfacts.eu, or company websites.

Independent Variables

The precise data type, data source, and means of operationalisation for the general can be found in Appendix I. Hillman and Hitt (1999) list three variables that will affect a firm's generic approach: (a) the degree to which firms are affected by government policy, (b) the level of firm product diversification, and (c) whether the firms operate in a corporatist or pluralist context. The degree of dependence a firm has on government policy can be ascertained by how many regulatory fields it operates in (Hillman and Hitt, 1999). The EU Transparency Register requires firms to disclose which 'fields of interests' a firm is concerned with (Join Transparency Register Secretariat, 2019). Each firm lists several regulatory fields that it considers to be pertinent to its operations, with examples including borders and security, competition, culture, environment, taxation, trade, and youth. Because specific regulatory issues and topics frequently change, 'fields of interest' is the clearest indication a firm gives of how many regulatory fields it is concerned with in the long term. The degree of firm product diversification is indicated by resources provided by the firms, as well as newsmedia and database regarding corporate earnings (Clemens, 2015; Dunn, 2017).

4.2.2 Levels of Participation

Dependent Variable

The second dependent variable that informs a firm's CPS is the level of participation it chooses to engage in when conducting corporate political strategy. Hillman and Hitt anchor the levels of participation variable in Mancur Olson's (1965) typology of participation. They argue that the

dichotomy between acting as an individual firm and acting in collaboration with other firms and/or through associations is a parsimonious dichotomy most suited to their model. The key difference between individual and collective participation is whether a firm is party to associations that act on behalf of a collective interest. Coen (1997) illustrates that in a European context, firms are likely to engage in both collective and individual action. Because this dichotomy is not mutually exclusive, it is highly unlikely that a firm will choose only one approach. It is perfectly legal in the EU for firms to conduct political strategies as individuals and through collectives. As such, operationalisation of the second dependent variable must take this into account. Operationalising participation levels as a binary would inevitably lead to the conclusion that there are no firms pursuing any sort of individual action, because each is party to an association concerned with the development of ePR (a fact illustrated in Figure 4). Therefore, this research will operationalize levels of participation by assessing how many interest groups each firm is a member of that has utilised tactics listed in the Hillman and Hitt model to affect the development of ePR.

There are several ways in which researchers can measure a firm's individual participation: they can hire public affairs consultants, external lobbyists, donate to political parties, meetings with Commission and Parliament representatives, and fund academic grants and think tanks (Hadani, 2007; Ozer and Lee, 2009). However, where a single case is concerned, it is difficult to ascertain to whether the individual approach is directly related to ePrivacy, and whether another firm is involved in the same approach. This is critical to Hillman and Hitt's model, as Figure 2 indicates that assessments of participation should consider the nature of the policy in question. Thus, in this research, individual participation will be operationalised as the number of meetings each firm has with Commission representatives on the topic of ePrivacy. Coen (1997) and Bouwen (2002) make the case that the Commission is the most frequent access point for organisations seeking to influence legislation; taking into consideration that these meetings are held on an individual basis between the firm and the Commission, it is a salient proxy for a firm's individual participation. While the Commission does release the agenda of its meetings with corporate representatives, it does not disclose what exactly was discussed at the meeting. This thesis will

use the lobbyfacts.eu database to assess how many meetings each firm held with Commission representatives on the topic of ePrivacy. The drawbacks to this method are that it does not account for the meetings where ePrivacy may also have been discussed (such as during meetings about the digital single market), and is limited to the flawed self-reporting provided by corporate actors. For example, are instances whereby the word privacy is misspelled, or it is unclear what specific privacy regulation was discussed (ePrivacy, the US-EU Privacy shield, or GDPR).

Independent Variables:

The independent variables that Hillman and Hitt associate with levels of participation are twofold: financial resources and/or intangible knowledge, the structure of EU interest groups representation. Measuring a firm's financial resources is a straightforward process: corporate earnings reports can indicate how much revenue a firm brings in over the course of a year. Total revenue is an acceptable indication of a firm's financial resources (Coen and Richardson, 2009; Dür and Mateo, 2012). Without several interviews with each organisation and EU policymakers, it is not possible to reliably ascertain to what degree each firm possesses intangible knowledge on ePR, especially since this information is protected by GDPR regulations, and is contingent on the assessment of EU policymakers. Because of these constraints, this research will not investigate the effects of intangible knowledge on the CPS of firms. The Hillman and Hitt (1999) model makes it clear in its language that the proposition related to financial resource *or* intangible knowledge - where one begins and the other ends, and which of the two variables is more influential is not made clear by Hillman and Hitt (1999). Without extensive interviews with employees at each firm considered in this research, ascertaining as much is not reliably possible.

4.2.3 Strategies and Tactics

Dependent Variables:

Shaping public policy through strategies is acritical for firms seeking to proactively shape public policy to their advantage (Widenbaum, 1980). Hillman and Hitt's CPS model identifies three different strategies and tactics that firms can utilise when conducting CPS on a certain issue:

information strategies, financial strategies, and constituency-building strategies. Each of these three strategies can be classified as a dependent variable. These dependent variables have been conceptualised in Chapter 2 and Figure 1, and are further operationalised in Appendix I.

Independent Variables

There are two unique independent variables that are introduced in the third decision stage: membership size and credibility. News media and corporate disclosures were used to ascertain how many employees each firm has in the EU (Huawei, 2021; Statista, 2021). This is important because Hillman and Hitt state that the reasons a firm's employee base is a predictor of its CPS is because the employees are constituents of the policymakers. Credibility is more difficult to operationalise. A firm's credibility is dependent on the quality of its operations, the location of its operations, the reputation of its managerial staff, and an array of other fluid variables. Hillman (2003) uses the number of years a firm has operated in the country of question as a proxy. She states that "years of experience is not a measure of credibility per se," but that "it does signal the commitment of the firm to the host country operations and evidence repeat dealings within a society" (Hillman, 2003, 466). The use of age (i.e., the years of operation in a given location) as a proxy for credibility in the study of corporate political activity is also reflected in earlier research (Keim and Baysinger, 1988; Luo, 2001). It must be noted that using age as a proxy for credibility, as Hillman stated, is a methodology fraught with error. For example, recent controversies with the units of analysis in this study are not accounted for when using age as a proxy for credibility. Google was recently fined \$2.7 Billion by the EU for antitrust operations, while Huawei has faces criticism from several EU nations and the EU itself for the threat it poses to the integrity of cybersecurity infrastructures (Kelion, 2017; Panettieri, 2021). However, this research justifies the use of age as a proxy for credibility because one of the authors of this theoretical model justifies it herself in future research.

4.3 Data Collection Methods

As has been discussed in the previous section, this research will employ a congruence analysis as it investigates to what degree the CPS of international firms regarding the ePrivacy Regulation is commensurate with Hillman and Hitt's model. Having illustrated that a congruence analysis and case study research design is the optimal construct for such an inquiry, this section will serve to elucidate the methods that will be used to gather empirical evidence required for the research design.

4.3.1 Documentation

Yin (2018) states that society has developed a record-keeping structure that is likely to apply to every case. As a result, documentation must be explicitly collected when conducting case study research. Yin provides five types of documentation which can be collected by case study researchers:

1. Email, memoranda, letters, and other personal documents (diaries, calendars, notes)
2. Agenda, announcements, minutes of meetings, and other reports of events
3. Administrative documents such as proposals, progress reports, and internal records
4. Formal studies or evaluations related to the case that you are studying
5. News clippings and other articles appearing in the mass media or in community newspapers.

There are several strengths associated with documentation as a source of evidence for case study research. First, it is stable in that it does not change over time and can thus be viewed repeatedly. Second its reliability is strengthened by virtue of any documentation gathered not being obtrusive. Third, documentation is specific and can thus precisely provide names, dates, reference, and details of events. Lastly, documentation can cover a broad period and reflect changes in institutional structure, emergence of unexpected events, and the developments of various settings. However, particularly where corporate strategy and lobbying are concerned,

documentation suffers from several drawbacks. Certain documentation, such as email and administrative documents, can be difficult (or impossible) to locate. For example, intra-corporate communications on specific issues and policy developments are often confidential. Moreover, collection of documentation can be affected by bias, both in selection and reporting. This is the case especially if the authorship of a document is unknown, or if the collection of documentation is incomplete.

Empirical data was collected by using document sources at lobbyfacts.eu, the EU Transparency Register, and LinkedIn. Data regarding firm resources was found both on each firm's individual webpage, as well as on news articles. www.Google.com was used to find conferences, events, summits, and debates on the topic of ePR that each unit of analysis attended. Keywords were put into the search function to ascertain which conferences/summits/events/panels each firm attended. An example is as follow: [company name] + ePR + ePrivacy + panel + conference + summit + 2015...2020. This method is not ideal, as there are likely conferences, events, and summits that the firms attended which were not readily available on Google; certain events are liable to delete their data (such as videos, webpages, and podcasts) from the internet once the event has passed, as the cost of their maintenance will accrue. Other events could have been held in languages not accessible by the researcher. Twitter posts, however, are more reliable sources of data. Each unit of analysis had a registered EU affairs twitter account (Deutsche Telekom, n.d.; Google, n.d.; Huawei, n.d.; Microsoft, n.d.; Vodafone, n.d.). These accounts regularly posted promotional tweets and engaged with consumers directly on a variety of matters, regulatory and non-regulatory. Twitter also provides a search function which allows one to search all the accounts of a firm's Twitter page for keywords; this research identified each firm's EU twitter account, and then searched the accounts for tweets between 2015 to 2020 to with the keywords 'ePR', 'ePrivacy', and 'ePrivacy Regulation'. An element of recycling regulations also uses the initials EPR (extended producer responsibility), so results mentioning this unrelated regulatory feature had to be ignored.

4.3.2 Interviews

Interviews are “one of the most important sources of case study evidence” (Yin, 2018, pg. 135). Yin lists three specific types of case study interviews: prolonged interviews, shorter interviews, and survey interviews. In the case of small-N qualitative studies as is the case in this research, survey interviews are least relevant. Their greatest asset is that they can produce quantitative data which can be used in a qualitative analysis (Yin, 2018). As such, surveys will not be utilised in this analysis. Therefore, a decision must be made between shorter case study interviews and prolonged case study interviews. The distinction between the two is in their duration, with the latter being limited to approximately 60 minutes to account for the fatigue of the parties involved (Newcomer et al., 2015).

Semi-structured interviews are labour intensive and time-consuming projects that, when conducted ideally, can provide valuable data that can confirm or deny the assertions found in documentation collection (Dür, 2008). They work best when they are comprised of a blend of closed- and open- ended questions. These questions will give rise to ‘how’ and ‘why’ events take place and choices are made. Newcomer et al., (2015) provides several a series of steps that need to be conducted to conduct an effective semi-structured interview: selecting and recruiting respondents, drafting the questions, crafting an interview guide, conducting an effective interview, analysis of information. Newcomer et al., (2015) suggest that the interview agenda, and the execution of an effective interview, should follow ‘time-tested’ guidelines. These include starting with customary pleasantries, establishing rapport, soften critiques with positive questions in advance, and ask the most sensitive or controversial questions at the end of an interview (Newcomer et al., 2015).

During this research, 43 unique individuals with insight of the development of ePR were contacted through a variety of means: 34 employees at the firms listed, four members of the EUP, two members of the EUComm, and three interest groups and activists. Using LinkedIn premium, the

researcher was able to identify and contact officials at each firm who listed themselves “EU Government Affairs” or “EU Regulatory Affairs” employees. The LinkedIn subscription system allows users to cold-email individuals who have no connection to the user. However, this is capped at thirty messages total. Using a free subscription, the researcher was able to establish contact. A list of candidates was acquired by entering the following into the LinkedIn search function: [firm name] EU government affairs. A three-paragraph introductory message was then sent over LinkedIn messenger to each interview candidate. Members of the EUP and EUComm were also approached via email, to no avail. All units of analysis were also contacted on social media via their Twitter accounts via tweets (direct messages were not possible). None responded. Four interview candidates responded, and two interviews were conducted. Both interviewees requested that their name and their firm’s name be withheld from this research. One of the two interviewees requested they not be directly quoted. As such, their comments and observations cannot be linked to a specific firm lest it jeopardise their requests for anonymity and privacy. A template of the interview agenda and questions can be found in Appendix B.

5. The Case: EU ePrivacy Regulation

This chapter will detail the content of the ePR. The ePR has gone through several draft versions since its release in January 2017 and has been amended repeatedly since then by all elements of the EU’s ordinary legislative procedure (EUComm, EUP, EUC). Currently, the ePR is still being deliberated, and will be discussed in a media process known as the ‘trilogues’ - a closed-door negotiation between representatives of the EUC, EUP, and EUComm (Hix and Høyland, 2011).

This chapter will thus discuss the most contentious elements of the ePR. As the ePR has not been finalised, it is not possible to provide details about its final language. Chapter 5.2 will discuss the selection of units of analysis, including providing background information on their operations, and justifying their selection for this research.

5.1 ePrivacy Regulation

The proposed ePrivacy Regulation is a reform of the current Directive on Privacy and Electronic Communications (Directive 2002/58/EC and Directive 2009/136). Its official name is: “Regulation of the European Parliament and of the Council concerning the respect for private life and the protection of personal data in electronic communications and repealing Directive 2002/58/EC (Regulation on Privacy and Electronic Communications)” (Gonzalez et al., 2020). The ePR is what is known as a *lex specialis* to the GDPR, meaning a piece of regulation that is based on but overrides a foundational (*lex generalis*) regulation (i-Scoop, 2020). The ePR was first discussed in 2015 when the EUComm expressed interest in reforming the then-outdated ePD (Fazlioglu, 2018). The Directive 2002/58/EC was commonly known as the ‘Cookie Law’ (i-Scoop, 2020). However, the ePR’s scope is far greater than the ePD’s. It concerns electronic all communications on the internet and associated mobile applications, including telephone services (such as ‘Viber’), instant messaging, marketing, data storage, spam, telecommunication operations, online advertising, and the internet of things (IoT) (Gonzalez et al., 2020; Healey, 2019). The EUComm introduced its data protection framework in May 2016 with the goal of “making Europe fit for the digital age” (European Commission, 2021). The data protection framework ultimately seeks to make the application of data protection rules equal across member states while also guaranteeing the fundamental rights of EU citizens and organisations; the ePR is but one of many tiles in the EU’s data privacy mosaic.

The key difference between the GDPR and the ePR is that, whereas the former regulates the flow of personal data of individuals in the EU, the ePR regulates privacy regarding all electronic communication in the EU. The ePR is divided into seven sections: scope, confidentiality, end-user rights, supervisory authorities, remedies, liabilities, and penalties, implementing acts, and final provisions (Gonzalez et al., 2020). Understood practically, the contentiousness of the ePR takes place as the EUP and EUC offer amendments to the EUComm’s proposal throughout the ordinary legislative procedure. The most debated articles and amendments are threefold: cookies and

tracking technologies (Articles 8 and 10), electronic communications data (articles 5 to 7), cooperation and consistency (Articles 18 to 20) (Whitehead and Westbrook, 2021).

The EUComm's initial proposal required for explicit consent where the tracking of cookies was concerned, with emphasis added on the end-user's terminal equipment (that is, the service's tracking technologies. Exceptions were made for requested services and metadata for web audience measurement (Gonzalez, 2020; Whitehead and Westbrook, 2021). Unlike the ePD, the EUComm's initial proposal also included language regarding non-cookie tracking technologies (like fingerprinting) (i-Scoop, 2020). Furthermore, terminal equipment was required to issue notices before collecting information. Most critically, consent for tracking cookies was shifted from a banner at the bottom of the page, to the browser's setting (Gonzalez et al., 2020; Whitehead and Westbrook, 2021). The EUP's draft was less lenient towards permissions and settings, proposing stricter guidelines for all elements of tracking and consent. It added citizen protections that afforded all users to right to access a service, regardless of whether they've consented to tracking. While permissions for tracking without explicit consent were granted for security and employment purposes, consent in the EUP draft also required consent for tracking as it relates to web audience measurement (Whitehead and Westbrook, 2021). Most notably, the EUP required the default for all browser's tracking setting to be 'off' (Whitehead and Westbrook, 2021). The EUC's draft on cookies and tracking technologies strikes as a balance between the EUP and EUComm's positions. It has softer language on permissions, submitting that tracking should be allowed subject to safeguards, such as against racial and religious profiling (Gonzalez et al., 2020; Whitehead and Westbrook, 2021). It also does not offer language on the default nature of default browser settings for cookies.

The EUComm proposal prohibits processing of (meta)data by parties that are not the providers of the services used, whereas the EUP and EUC amendments state that third parties processing such data are able to make use of only the *metadata* (Whitehead and Westbrook, 2021). Broadly speaking, the EUP and EUC took softer stances on electronic mailing and marketing calls,

arguing that member states should be allowed to choose whether live marketing calls can be conducted, and that metadata may be processed without consent in certain cases such as research or statistical purposes (i-Scoop, 2020; Whitehead and Westbrook, 2021). The EUP firmly opposes any opt-in by member states for live marketing calls and is less flexible in its language about the processing of metadata by third parties (Whitehead and Westbrook, 2021). Whereas the EUComm and EUC have taken a more flexible approach to the content of the ePR, the EUP has proposed drafts with language committing the EU and firms operating in the EU to stronger consumer privacy protections on the internet.

5.2 Selection of Units of Analysis

Having discussed the political activity its development has garnered since the EU committed to the creation of a new data protection framework, it is essential to justify which actors' political strategies and activity will be analysed. This thesis has selected five unique units of analysis: Google, Microsoft, Huawei, Deutsche Telekom, and Vodafone. The selections made reflect a diverse array of industry (either telecoms or technology), geographical origin, and size. Each firm qualifies as a multinational corporation as their operations are not limited to the EU.

5.2.1 Google

Google is considered one of the 'Big Five' technology companies, along with Apple, Facebook, Microsoft, and Amazon (Lekkas, 2020). It was founded in 1998 by Larry Page and Sergey Brin. Now, Google is one of the largest companies in the world, with a revenue of \$162 Billion as of 2020 (Finshots, 2020). In 2015, Google was reorganised as a subsidiary of Alphabet Inc., but retains a separate corporate hierarchy from Alphabet, with its most notable innovation being its search engine. Its 23 years of operation have been called "the most staggeringly influential runs for any corporation in history" (The Verge, 2018). Google's most successful venture has been its search algorithm, which holds a 92.4% market share in the search engine category worldwide, and a 93.2% market share for its search engine in Europe (Statcounter, 2021). Google's revenue

stream primarily comes from the ads it hosts on its properties, but also produces consumer electronics hardware and software. This means that Google is deeply affected by any regulation which affects its ability to acquire profit from advertising. The ePR's broad scope includes rules and regulations regarding the application of cookies - or tracking agents - on websites in the EU. As such, Google's ability to maintain its revenue stream from its most lucrative revenue stream is in question about the development of ePR.

5.2.2 Microsoft

Microsoft is a multinational technology firm based in the United States. It was founded in 1975 by Bill Gates and Paul Allen, and since then has amassed a revenue of \$143 Billion with operations spanning the globe (Velocity Global, 2020). Unlike Google, Microsoft's revenue stream is much more diversified. Microsoft develops its revenue by supporting, manufacturing, developing, and licensing a broad range of services and products. These include computer software, consumer electronics (PCs, tablets, gaming consoles, phones, and related accessories), cloud-based solutions, consulting, and transiting and certification certificates (Visnji, 2019). Most of its revenue comes from licensing its 'Office' software (a suite of applications) to individuals and corporations around the world (Dunn, 2017). Its range of services and products is much more diversified than Google's, and as such is an excellent complementary unit of analysis when investigating corporate political activity by international corporations. While it is invested in the developments of the ePR's cookie regulations, its interests also lay in the development of regulation related to machine-to-machine communications and OTTs. Both are of increasing concern to Microsoft, which has been named a leader in the development of IoT and has consumer-to-consumer communications conducted on its gaming consoles (Chirpurath, 2020).

5.2.3 Deutsche Telekom

Deutsche Telekom is a German telecommunications company headquartered in Bonn. It is the largest telecommunications provider in Europe, with operations spanning 50 countries (Deutsche Telekom, 2020). Its services and products cater to both consumers and businesses. It provides

network/broadband connectivity, mobile communications, and internet services to consumers; to businesses, it primarily provides information communications technology (ICT) solutions.

(Deutsche Telekom, 2020). As the largest telecommunications operator in Europe, it is a firm with a vested interest in the development of ePR, and is concerned with terminal user data, and the processing of metadata.

5.2.4 Vodafone

Vodafone is a British telecommunications company which operates in Europe, as well as several other continents. It is the largest mobile and fixed network operator in Europe. It has mobile, fixed broadband, and TV customers; more recently, it has expanded operations into providing IoT services and 5G connectivity (Vodafone, 2020). It's operations are multifaceted, including providing voice services, text picture and video messaging, data services (email, internet, data roaming), mobile advertising, business solution, personal solutions, and branded phones/devices (CompaniesHistory, 2020). More recently Vodafone has published reports on its operations around hew rode, detailing how governments spy on their citizens. Vodafone has said that it refuses to comply with certain demands made by law enforcement agencies around the world (Ranger, 2014). The nature of its operations, substantial activity in Europe, and demonstrated interest in privacy, make it a pertinent unit of analysis to this case study.

5.2.5 Huawei

Huawei is a Chinese provider of information and communications technology infrastructure and smart devices (Huawei, 2020; Huawei, 2021)). Huawei's ownership has been subject to much "confusing" debate - it is technically owned by a holding company, Huawei Investment & Holding. Within this company, most shares are owned by a Union, the Union of Huawei Investment and Holding (Zhong, 2019). Under Chinese law, all unions answer to provincial unions, with the upper echelons of decision-making being conducted by the All-China Federation of Trade Unions, which in turn has representation in the National People's Congress; in a rather circuitous manner, Huawei is subject to the decisions of the communist party (PolyMatter, 2019). This makes Huawei

a unique unit of analysis, in that it has long-standing operations in Europe though its ownership has strong state-owned features. Its unique geographical quality and operations relevant to ePR make it a salient choice for analysis in this research. Moreover, with the EU-China relationship under increasing strain due to security, privacy, and human rights concerns, exploring Huawei's CPS assumes unique social and theoretical relevance (Morris, 2020).

6. Results and Analysis

This section will be divided into two parts: first, the background of each unit of analysis as it relates to the ePR will be clarified, and their selection for this research justified. Second, the predictions established in Chapter 3.2 will be reiterated, and tested against the empirical data gathered thus far. All empirical data can be provided upon request. Total anonymity has been requested by interviewees, therefore comments from the interviews cannot be attributed to a single firm.

6.2 Decision One: General Approach

Figure 4 summarises the general approach of each unit of analysis' CPS in the EU. The propositions Hillman and Hit (1999) put forward for decision one are prerequisite on understanding whether a firm uses a transactional or a relational approach to its CPS. Using the criterion established in 4.2.1 through Hillman and Hitt's (1999) work, it is possible to ascertain whether a unit of analysis has a relational or transactional approach to its EU CPS. By using data gathered from lobbyfacts.eu, it is possible to ascertain how many EU lobbyists were employed during discussions for ePR.

Figure 4. General Approaches of Firms, Author

Firm	Dedicated Office in Brussels	Permanent EU Relations Employees	Employed EU Lobbyists (2015 - 2020 Average)	General Approach
Microsoft	Yes	Yes	15	Relational
Google	Yes	Yes	14.6	Relational
Huawei	Yes	Yes	13.75	Relational
Deutsche Telekom	Yes	Yes	9.4	Relational
Vodafone	Yes	Yes	6.2	Relational

Prediction 1a

Firms with a greater dependence on government policy will use a more relational approach than their counterparts

When testing this prediction against the five units of analysis, two firms - Microsoft and Deutsche Telekom - were shown to have received financial subsidies from the EU through grants and procurement. However, these amounts are negligible when compared to their total revenues, which amount to approximately 150 billion USD and 100 billion USD, respectively. Therefore, when considering to which degree these firms are dependent on EU regulation, subsidies can be disregarded.

Hillman and Hitt (1999) argue that the greater a firm's dependence on government regulations, the more likely it is to use a relational approach. To test this prediction, it is not sufficient to indicate the number of policy fields a firm has disclosed and extrapolate conclusions against its general approach. Hillman and Hitt's assumption that higher degrees of dependence will lead to relational approaches also implies that these relational approaches would be more developed than firms with lower degrees of dependence; firms with little dependence on government policy would indeed make use of a transactional approach. By measuring the number of lobbyists employed during the scope of this study, it is possible to ascertain which firm pursued the most relational

approach among all units of analysis. When compared to the number of policy fields each firm is concerned with, it becomes possible to test the proposition that firms with the most policy fields of interest also have the most relational approach.

Google and Microsoft both report on the EU transparency register that they are concerned with 24 and 27 policy domains, respectively. Figure 5 shows that, of the units of analysis in this research, they have the highest degree of ‘dependency’ on EU policy. Google and Microsoft also have the highest number of EU-level lobbyists employed of all the firms considered in this research. Huawei, which lists 19 policy domains under its concern, employed an average of 13.75 lobbyists between 2015 and 2020. Deutsche Telekom and Vodafone, which list 14 policy domains under their concern have 9.4 and 6.2 lobbyists in their employ during the same timeframe. As previous chapters indicated, all firms utilise a relational approach, as they have offices in Brussels and dedicated EU affairs personnel in full-time employ. Firms with more policy domains of interest, like Google and Microsoft, have more lobbyists in their employ than the firms that list fewer policy domains in their interest.

Figure 5. Firm Dependence and Relational Approaches, Author

Firm	Number of Policy Fields of Interest	Subsidies	Employed EU Lobbyists (2015 - 2020 Average)	General Approach	Prediction Confirmation
Google	24	No	14.6	Relational	Yes
Microsoft	27	Yes	15	Relational	Yes
Huawei	19	No	13.75	Relational	Yes
Deutsche Tel	14	Yes	9.4	Relational	Yes
Vodafone	14	No	6.2	Relational	Yes

Firms with a revenue stream primarily from a single business will use a relational approach in their CPS

Hillman and Hitt (1999) predict that a firm will utilise a relational approach when they meet the criteria for a related-product diversification revenue model. This is so because firms that have related-product diversification or are simply a single business will have a “focused domain” of operation. Operating in fewer domains endows the firms with more specialised knowledge than competitors, which they are best positioned to leverage with key policymakers. Firms with unrelated-product-diversification will not have the ability to provide such specialised knowledge to key policymakers, as they spread their resources out across a variety of policy domains.

Figure 6 shows that most firms in this case study do not qualify as a single-business, and do not meet the requirements that Hillman and Hitt cite as firms that have more “related-product diversification”. For a firm to have a related-product diversification revenue stream, more than 70% of revenue must originate from a single business operation. Microsoft, Huawei, Deutsche Telekom, and Vodafone all have revenue streams which do not exceed 70% of revenue from a single source. However, Google, with 74% of revenue sourced from advertising on its search engine and other related platforms, qualifies as a related-product diversification, and nearly a single-business under the conditions provided by Hitt et al. (2016). This prediction then does not hold for Microsoft, Huawei, DT, and Vodafone - all firms have a relational approach in their CPS, while maintaining revenue streams from multiple businesses. This is not in accordance with the prediction. However, the prediction does hold in Google’s case - it maintains the most relational approach to its CPS while having a revenue stream that classifies it as a single-business. The interviewer broadly agreed that a firm was better able to leverage its specialised knowledge through a relational approach but did also indicate that the selection of a relational approach was based on a variety of cultural and institutional variables.

Figure 6. Firm Revenue Streams and General Approaches, Author

Firm	Revenue Sources	Diversification	General Approach	Prediction Confirmation
Google	74% Ads on Google	Related-product diversification	Relational	Yes
Microsoft	20-28% Office 365	Unrelated-product diversification	Relational	No
Vodafone	66% Consumer Services Revenue	Unrelated-product diversification	Relational	No
Huawei	48 - 59% Carrier Business	Unrelated-product diversification	Relational	No
Deutsche Telekom	34% B2C, 23% B2B, 36% USA	Unrelated-product diversification	Relational	No

Prediction 1c

Because the EU is characterized as a pluralist system of interest representation, firms will use a transactional general approach.

Hillman and Hitt's Proposition 3 uses the system of interest representation as the variable of interest. Because of the scope of EU operations, it is difficult to attribute EU interest representation through one-size-fits-all model. Burns and Carson (2002) argue that the advantages of the EU interest representation system is that it provides sectoral flexibility and adaptability. For example, issues regarding civil rights and the environment will be subject to less democratic deficit than foreign policy. As such they characterise the EU as an organic and informal democracy (Burns and Carson, 2002). Eising (2007) states that the EU "does not necessarily display a form of elite pluralism," and that associations and firms have similar degrees of access to EU institutions on a host of issues (pg. 399). They attribute this to the increased role of the EP in the ordinary legislative procedure and its democratic quality. Elite pluralism is conceptualised by Eising (2007) as policymakers giving privileged access to one type of private interest over another. In the EU context, Eising (2007) argues that the European Commission is liable to give a greater amount of access to private corporate interest than associations. Coen (2007 and 1998), as well as Ruohonen (2017) present evidence of the fact that the EU does

indeed best confirm to a model of interest representation most akin to elite pluralism. This can be attributed to the fact that firms with more financial resources than others (such as technology conglomerates) can take advantage of the geographic centralisation of EU policymaking and develop more sustained relationships with EU policymakers. The resulting relationships between wealthy industry actors and EU-level policymakers (primarily the Commission) best conforms to elite pluralism. The corporatist model - namely the mediation between labour (or union) representatives and firm representatives - does not apply to the EU (Hix and Høyland, 2011). The EU does have a trilogues process where the EUComm mediates disputes behind closed doors between relevant actors, but it is not limited to union and corporate representatives.

When the nature of interest group representation at the EU level was raised with the interviewers, they agreed that the EU's model of interest representation was more pluralist than corporatist but were not entirely supportive of the view that it typified elite pluralism. One interviewer made the argument that being afforded consistent access to policymakers more greatly incentivised the firm to pursue a relational approach; if their firm would not take advantage of such access, one of their competitors might. This would not be the case in a corporatist system of interest representation, where corporate and union interests are mediated by policymakers, and interest groups are largely side-lined. The other interviewer was more convinced that their firm had similar degrees of access

Ozer and Lee (2016) and Hix and Høyland (2011) ascertain that the EU uses a form of pluralist interest representation, and not corporatist interest representation. Ozer and Lee (2016) clarify that the EU does not typify an ideal pluralist approach to interest representation, but rather an elite system of pluralist representation. Figure 4 illustrates that each unit of analysis in this research has a relational approach in its EU government relations. They have offices in Brussels, and full-time employees dedicate to EU affairs. As such, this prediction does not hold. Firms in this research use a relational approach in their EU CPS, contrary to the prediction provided by Hillman and Hitt (1999).

6.3 Decision Two: Levels of Participation

Prediction 2a

Firms with fewer financial resources than their counterparts will be party to more ePR-related trade, professional, and industry associations active than their counterparts.

Figure 7. Levels of Participation and Association Membership, Author

Firm	Average Revenue (2015 - 2020) (Billion USD)	ePR-Related Association Memberships	Prediction Confirmation
Google	150.772	21	No
Microsoft	129.614	17	No
Vodafone	54.208	6	No
Huawei	120.072	8	No
Deutsche Tel	94.960	4	No

Firms with the lowest revenue in this research - Vodafone and Deutsche Telekom - are party to far fewer ePR-related memberships than firms with more revenue, such as Microsoft, Google, and Huawei. According to Hillman and Hitt (1999), firms with less revenue should be party to more ePR-related associations to offset the disadvantages of their limited resources. However, this is not the case. As per Figure 7, firms with the highest revenue are party to the most ePR-related associations, while the firms with the lowest revenue are party to the least ePR-related associations. Google and Microsoft, the firms with the highest revenue in the years ePR was discussed by the European Community, are party to the most ePR related trade associations than all other units of analysis in this study. Huawei, with a higher revenue than both Vodafone and Deutsche Telekom, is also party to more ePR-related associations than either firm. Therefore, this prediction does not hold for any of the units of analysis in this study.

When asked about a linkage between a firm's revenue and their membership, both interviewees disagreed with Hillman and Hitt's proposition that there is an inverse relationship between a firm's revenue and the number of associations they are party to, and the dichotomous conceptualization

of levels of participation more generally. They stated that their firm engages in the policy development process on every issue - including ePR - with a trade/professional/industry organisation.

Prediction 2b

Because the EU is a pluralist system, all firms will use more individual participation than collective participation in the ePR CPS.

Figure 8. Levels of Participation and Model of Interest Representation, Author

Firm	General Approach	ePR-Related Association Memberships (Collective)	ePrivacy Meetings with Commission (Individual)	Prediction Confirmation
Google	Relational	21	9	No
Microsoft	Relational	17	13	No
Vodafone	Relational	4	11	Yes
Huawei	Relational	6	0	No
Deutsche Tel	Relational	8	18	Yes

For prediction 2c, each firm's collective approach was compared to its individual approach. This prediction holds for the following firms: Deutsche Telekom and Vodafone. Both companies are telecommunications providers. Both also met with the EU Commission to discuss ePR development more frequently than they were party to associations which sought to affect the development of ePR. However, this prediction does not hold for Huawei, who had no individual meetings with the Commission on ePR. Huawei did have meetings with the Commission regarding the digital single market (DSM), but as the DSM concerns a host of issues (of which ePR is one), it was not considered salient enough to be included as a metric in the individual approaches. Google and Microsoft were both party to more interest groups that sought to affect the development of ePR than they were party to individual meetings with the Commission about ePR. Using Figure 8 for reference, this prediction can be confirmed for two units of analysis, Vodafone, and Deutsche Telekom

The interview data indicates that a binary distinction between collective and individual participation is not an accurate reflection of the participation engaged with by firms conducting CPS on the development of ePR. The respondent confidently asserted that their firm makes use of both collective and individual approaches. They stated that meeting on a one-on-one basis was important to have their concerns directly addressed and accounted for. In the development of ePR, the issue of tracking cookies has been given profound attention by policymakers and private actors. Being able to discuss alternative regulatory changes in the ePR (including its scope and the IoT content) was enabled during the individual approach. However, the interviewer also stated that collective participation is especially useful when engaging with policymakers on ePR, whereby the firm was able to put more pressure on the Commission to take their unique concerns seriously, effectively guaranteeing safety (and efficacy) in numbers. Neither respondent indicated that their firm was given priority consideration by the EUComm (or any other EU organisations). When the subject of pluralism, corporatism, and elite pluralism was introduced, they affirmed that the EU had a pluralist system of interest representation, mores than corporatist.

6.4 Decision Three: Strategies and Tactics

Figure 9. Firm Credibility, Strategies and Tactics, Author

Firm	Credibility (Years)	Information Strategy		Constituency-Building Strategy			Financial Incentive
		Lobbying Expenditure (2015 - 2020, euros)	Meetings with EU Commission on ePR	Twitter Posts on ePR	ePR Press Releases and Blog Posts	Summits and ePR Conferences	Number of firm EU Affairs Employees with EU government experience
Google	22	26,422,998	9	0	0	5	3
Microsoft	37	25,746,000	13	14	3	6	8
Vodafone	38	8,498,996	11	2	1	2	2
Huawei	20	11,274,000	0	0	2	1	7
Deutsche Telekom	25	7,760,000	18	0	1	1	4

Prediction 3a

Firms using a relational approach with higher credibility than their counterparts will use more information or constituency-building strategies and tactics than financial strategies and tactics in their ePR-related CPS.

Based on the Hillman and Hitt model, this prediction postulates that firms that have operated in the EU the longest (i.e., have the highest credibility) will make more use of constituency and information strategies than firms that have operated in the EU for shorter periods of time. The results of research on this prediction can be found in Figure 9. This prediction is partially met by Microsoft. Among the other units of analysis in this study, it has among the highest information and constituency-building strategies. However, it also has the most extensive financial strategy of all units of analysis in this study. This prediction is partially met by Vodafone as well. It has the highest credibility of all firms, but uses a comparatively low information strategy, as well as constituency-building strategy. However, it also uses the least extensive financial strategy. As such, it meets the expectation of this prediction that the firm with the highest credibility will also make use of the least financial strategies. This prediction is partially met by Deutsche Telekom. It

has the third highest credibility among all units of analysis but uses the least prevalent constituency-building strategy. It has also spent the least on lobbying of all units of analysis but has the highest number of meetings with the EU Commission on ePR related matters. This prediction is not met by Google. It has the fourth highest credibility of all units of analysis in this study, but among the most intensive information and constituency-building strategies of all units of analysis. This runs contrary to the expectations of this prediction. The prediction is met for the Huawei case study. Huawei is the firm with the least credibility in the EU, with comparatively low use of information and constituency-building strategies. However, it makes more use of financial strategies than nearly all its counterparts. This means that it meets the prediction of this study, namely that firms with *less* credibility than their counterparts will make use of *more* financial strategies than information or constituency-building strategy.

Both interviewees were explicitly asked which of the strategies their firms made use of most, and whether credibility - as defined by Hillman (2003) - played a part in the selection of that strategy. Both quickly and resoundingly affirmed that the information provision strategy was the strategy most used by the firm throughout the development of ePR CPS. One interviewee indicated that the information provision strategy was the “bread and butter” of their firm’s ePR CPS. Both interviewees stated that the constituency-building strategy was used less frequently at their firm than the information provision strategy in the development of ePR but was used more frequently than the financial incentive strategy. The reasons for this will be discussed in the following chapter.

Neither interviewer was satisfied with the established criteria for credibility (firm age). Both agreed that a firm’s age did not reflect the unique characteristics of privacy-related regulations, where failure to adhere to existing rules and regulations is liable to draw significant public attention and regulatory punishment, especially within an EU context. However, both agreed that the credibility of a firm was a critical (with one interviewee arguing that it was *the* critical) determinant for a successful CPS, both in terms of information provision and constituency-building strategies.

Prediction 3b

Firms with larger employment bases than their counterparts and using relational approaches are more likely to use constituency-building strategies than information or financial strategies, including in their ePR CPS.

Figure 10. Firm Employee Base and Selection of Strategies and Tactics

Firm	Employment Base (EU)	Information Provision		Constitutency-Building			Financial Incentive	
		Lobbying Expenditure (2015 - 2020)	Meetings with EU Commission on ePR	Twitter Posts on ePR	ePR Press Releases and Blog Posts	Summits and ePR Conferences	Number of firm EU Affairs Employees with EU government experience	
Google	16,000 - 20,000	26,422,998		9	0	0	5	3
Microsoft	18,000	25,746,000		13	14	3	6	8
Vodafone	50,000	8,498,996		11	2	1	2	2
Huawei	13,000	11,274,000		0	0	2	1	7
Deutsche Telekom	147,016	7,760,000		18	0	1	1	4

As per Figure 10, the firm with the greatest employment base in the EU is Deutsche Telekom. It employs nearly three times as many people in the EU than the next highest unit of analysis in this research. However, it makes use of the fewest constituency-building tactics where the ePR is concerned. Thus, it does not meet this prediction. Vodafone, the corporation in this study with the second-highest employment base, also has among the smallest constituency-building strategy for its ePR of all units of analysis in this research. Google and Microsoft, however, have the most active constituency-building strategies, despite having comparatively fewer employees employed in the ePR's EU constituency base. As a result, this prediction does not hold for them, either. The

prediction is partially met by Huawei, which has the smallest employment-base in the EU, while having a comparatively small constituency-building strategy as relates to the ePR.

Neither interviewee did not indicate that there was a relationship at his firm between the employee-base of the firm and ePR. One interviewee argued that their firm did not use significant constituency-building strategies in the development of the ePR because the ePR is an extremely sophisticated regulation, characterised by technical minutiae that did not resonate with the broader public. Much of the discourse around digital privacy regulation in the EU had revolved around the GDPR, and the interviewee believed the public's desire to delve further into the weeds on digital privacy through ePR - especially without a focus on individual rights - was muted. Using a constituency building-strategy and tactics, the interviewee believed, would simply not be as effective as a lobbying tactic would be. The other interviewee agreed with this sentiment. They also added that constituency-building strategies were "risky" where the ePR was concerned. Advocacy from other interest groups, especially consumer groups, was liable to respond to CPS with accusations of impeding on the rights of European citizens. The interviewee believed that strategies that did not draw condemnation from other interest groups, such as the information provision strategy, preserved the firm's credibility better. Whether or not a firm had a large or small employment base, both interviewers agreed, did not affect their firm's likelihood of using constituency-building strategies.

7. Discussion of Findings

The goal of this research was to test the applicability of a seminal model of corporate political strategy formulation on an EU-level context. To do so, a qualitative approach was used. The consensus in CPS literature is that there has been a gap in in-depth research regarding the application of CPS on regulation. Moreover, the seminal Hillman and Hitt (1999) model was not tested for its applicability in the EU case after the Lisbon and Nice treaty, which overhauled the

The Hillman and Hitt model provided ten propositions, three for the first two decisions made, and four for the third decision made. Applied to five units of analysis, a total of 50 predictions could be identified, as illustrated in Chapter 3.2. As Figure 11 reviews, out of the 50 predictions, 35 could be tested; 9 predictions held with the predictions provided by Hillman and Hitt, 22 did not hold, and 3 held partially. Because most predictions did not hold, it can be concluded that the Hillman and Hitt model was not able to reliably predict the CPS of these units of analysis where the ePR is concerned. Why the Hillman and Hitt model was unable to predict the CPS of firms on the development of ePR will be discussed below, with emphasis placed on both the drawbacks of the model, and the idiosyncrasies of the EU context.

The inability to test predictions is not unheard of. However, it should be examined as it is an anomaly in the research. In this research, all predictions which used the transactional approaches in the independent variable were not able to be tested because no units of analysis used the transactional approach. Research by Coen (1997), Dür and Mateo (2012), and Hix and Høyland (2011) all indicates that firms seeking to apply CPS at the EU-level are strongly incentivised to use relational approaches. The social capital provided by relational approaches are simply too great to be exchanged for the financial savings of not maintaining a dedicated presence in Brussels. Using institutional theory this can be understood as mimetic isomorphism - firms using the relational approach are developing deeper networks with policymakers which they can leverage when necessary, and in doing so effectively are mimicked by other firms (Tucker, 2008). The lack of a

transactional approach at the firm level was echoed by the interviewee, who stated clearly that their firm, as well as the firms they are in contact with (as it relates to the development of ePR), overwhelmingly prefer a relational approach in the EU context. Hillman and Hitt (1999) argue that firms with interests in highly specialised policy fields - such as monetary policy and agriculture - are more likely to use transactional approaches. While the ePR does concern itself with a specialised policy field (data privacy and regulation), its material scope spans several industries. Moreover, the fact that the ePD needed to be reformed at the EU level was openly discussed since 2015 at the earliest, and even earlier in the public discourse. Using a transactional approach on a regulation with a considerable temporal and content scope is not tenable. Hillman and Hitt (1999) state that in highly regulated policy fields, firms are more likely to make use of a relational approach. This set of predictions was confirmed in this research (predictions 1a). This raises the question of whether Hillman and Hitt's model (1999) will be applicable in the future, as regulatory fields such as privacy incentivise firms to establish relational approaches to their CPS. As technological connectivity and complexity increases through the development of information technology systems and globalisation, the possibility arises that, in certain regulatory fields, there will be far fewer firms using a transactional approach. If this is the case, the applicability of the Hillman and Hitt (1999) model to explain how firms use CPS is several jeopardised.

Applying the Hillman and Hitt model to the ePR framework brought to light several aspects of the Hillman and Hitt model that were out of step with the developments of the EU. However, it in some cases present evidence of a relationship between the independent and dependent variables studied. Prediction 1a held for all firms, showing that there is a link between a firm's dependency on regulatory fields and its general approach. Prediction 1B also held for Google. Prediction 2B also held for Vodafone and Deutsche Telekom, who had a comparatively high number of meetings with the EUComm on the development of ePR. Whether or not this was the case because both firms are European in origin could be investigated in future research. Finally in Prediction 3C, Huawei, the only Asian unit of analysis, was found to make use of comparatively intensive financial incentive strategies despite being the least credible firm. Despite some predictions

presenting indications of a connection between the variables tested, there is more evidence to the fact that Hillman and Hitt model's predictions do not hold for the development of ePR in the EU.

One reason the Hillman and Hitt is not suited to explain how firms chose their CPS during the development of ePR is rooted in dichotomous conceptualisations of key variables such as the generic approach and levels of participation. In recent years the degree to which binary conceptualizations of these variables still holds is questionable. For example, data from the interviews made it clear that the firms in the technology industry overwhelmingly prefer relational approaches. However, that does not mean that the CPS they select on each issue that arises is the same. Nor does it mean that they effectuate the same CPS on specific issues consistently and over time. Firms are liable to not accurately gauge the importance of an issue, and conduct CPS at various stages of the policy development cycle, even if they are pursuing a relational approach. As a result, assuming that a firm using a relational approach does not also consider policy development timelines when conducting CPS, or does not engage in CPS more extensively with some issues than others, limits the applicability of the Hillman and Hitt model to not only the ePR as a case study, but all firms using relational approaches in their CPS.

The issue of binary conceptualisations continues to weaken the ability of the Hillman and Hitt model to be applicable in the EU context with the development of the ePR when levels of participation are examined. A strict adherence to binary conceptualisations of participation. - individual or collective - neglects to reflect the more nuanced realities of conducting CPS in the EU, especially as it relates to the development of ePR. Alternatives to this dichotomous conceptualisation of levels of participation can be found in Ozer (2009), whereby levels of participation are instead conceptualised as a preference between the two levels of participation, acknowledging use of but partiality towards one. Hillman's (2003) study does not account for the post-Lisbon and post-Nice EU changes, and how this may affect the nature of the exchange relationship between policymakers and firms at the EU. As is the case with the dichotomous

conceptualisation of general approaches, Hillman and Hitt's dichotomous conceptualisation of participation weakens the model's ability to be relevant in the EU context and the ePR.

Where the selection of strategies and tactics were concerned, Hillman and Hitt relied heavily on resource-based theories to predict which strategies and tactics would best be used. This largely proved to be false where firm credibility was concerned, and questionable where employment base was concerned. Both interviewees went so far as to suggest that an employment base was entirely irrelevant where the development of ePR-related CPS was concerned. The only firm to repeatedly engage in constituency-building strategies by mention the development of ePR on its EU affairs twitter page was Microsoft; other firms mentioned the ePR only twice, or not at all, over the five years of its development. Conversely, millions of euros were spent by each firm in their ePR-related lobbying efforts. This is commensurate with the interviewees beliefs that the complexity of the ePR as a policy issue disincentives constituency-building approaches and increases the pertinence and value of specialised knowledge provided by information provision strategies.

This research also indicates that all firms in this study overwhelmingly preferred the information provision strategy, and specifically the lobbying tactic, where the development of ePR was concerned. The Hillman and Hitt model does not provide a satisfactory explanation for how or why this has come to be the case. Indeed, the Hillman and Hitt (1999) clearly state that the purpose of their CPS model is to explore the process of CPS development on regulation. However, they also operate under the assumption that the three strategies available to firms are equally attractive. Why this is not the case in the development of ePR in the EU merits further discussion.

The data indicates that there are three reasons why the constituency-building strategy was not used by firms with high credibility (as per prediction 3a): issue complexity, and issue fatigue, and backlash from consumer advocacy organisations. The ePR is a deeply technical document which

necessitates a thorough understanding of cutting-edge advancements in electronic communications and the technology therein that facilitates a user's privacy. Most consumers do not possess such levels of understanding. As a result, they are unresponsive to constituency-building tactics such as advocacy advertising or press conferences. Efforts to educate the public on ePR would be hampered by the fact that there is significant fatigue within the EU regarding the development of privacy regulation. The GDPR was a highly contentious and publicly debated issue that did reach the public, as its contents were explicitly concerned with the rights afforded to EU citizens, more so than the ePR. Surprisingly, one interviewee suggested that firms were not incentivised to attempt constituency-building strategies in the development of ePR because of the aggressive responses this would encourage from consumer advocacy groups. They mentioned that firms were likely to "be afraid to go online," not wanting to draw the ire of advocacy groups which would charge them with trying to violate the privacy rights of EU citizens. The Hillman and Hitt model does not draw any distinction between cooperation between different associations.

Whereas the lack of a constituency-building strategies can be attributed to a host of factors, the absence of financial strategies by international firms in the development of ePR CPS is more parsimonious: financial incentives and associated strategies are not woven into the EU's CPS institutions. The data shows that this was the least developed approach among international firms, and that existing regulations makes it difficult for international firms to use financial tactics in the EU at all. One interviewee stated that the financial incentive strategy can be considered "a US-driven perspective" on CPS and was not present in the development of ePR. It can be concluded that the Hillman and Hitt (1999) model's presumption of the importance, and equality, of financial incentive strategies when compared to the alternative strategies, is not suitable to the ePR context, and may not be applicable to the EU generally.

Finally, the overwhelming preference of firms to use information provision strategies with the development of ePR merits consideration. The data suggests that all international firms in this study were most likely to use lobbying as a tactic to shape the development of ePR. One

interviewee said that lobbying was the “bread and butter” of their CPS in the development of ePR. Lobbying gave all international firms the opportunity to influence the minutiae of ePR development without encountering significant backlash from the public, or advocacy groups, and without going against the grain where the institutional norms of the EU are concerned. However, Hillman and Hitt’s (1999) model’s proposition that firms with fewer financial resources would be party to more ePR-related trade associations than firms with greater financial resources, did not hold. While financial resources can indicate the capabilities of a firm’s CPS, they are not necessarily indicative of how a firm will apply their CPS.

Figure 11. Review of all Tested Predictions, Author

Prediction	Firm	Does the Prediction Hold?
1a: Firms with a more dependence on government policy will use a more relational approach in their CPS	Google	Yes
	Microsoft	Yes
	Huawei	Yes
	Deutsche Telekom	Yes
	Vodafone	Yes
1b: Firms with a revenue stream primarily from a single business will utilise a relational approach in their CPS	Google	Yes
	Microsoft	No
	Huawei	No
	Deutsche Telekom	No
	Vodafone	No
1c: Because the EU is characterized as a pluralist system of interest representation, firms will use a transactional general approach.	Google	No
	Microsoft	No
	Huawei	No
	Deutsche Telekom	No
	Vodafone	No
2a: Firms with fewer financial resources than their counterparts will be party to more ePR-related trade, professional, and industry associations active than their counterparts.	Google	No
	Microsoft	No
	Huawei	No
	Deutsche Telekom	No
	Vodafone	No
2b: Because the EU is a pluralist system, all firms will use more individual participation than collective participation in their ePR CPS.	Google	No
	Microsoft	No
	Huawei	No
	Deutsche Telekom	Yes
	Vodafone	Yes
3a: Firms using a relational approach with higher credibility than their counterparts will use more information or constituency-building strategies and tactics than financial strategies and tactics in their ePR-related CPS.	Google	No
	Microsoft	Partial
	Huawei	Yes
	Deutsche Telekom	Partial
	Vodafone	Partial
3b: Firms with larger employment bases than their counterparts and using relational approaches are more likely to use constituency-building strategies and tactics than information provision or financial incentive strategies and tactics in their ePR-related CPS	Google	No
	Microsoft	No
	Huawei	Partial
	Deutsche Telekom	No
	Vodafone	No

8. Conclusion

In conclusion, the Hillman and Hitt model was not able to reliably predict how international firms used CPS in the development of ePR. As per Figure 11, of the 35 predictions tested, 22 did not hold. Only one set of predictions drawn from the Hillman and Hitt model reliably explained a facet of how firms choose their CPS, namely Prediction 1a. It can also be concluded that the Hillman and Hitt model was not able to explain the CPS of international companies on the development of ePR because it does not account for idiosyncratic institutional characteristics of EU CPS, namely the impropriety associated with financial incentive strategies. Moreover, the Hillman and Hitt model was unable to explain the CPS of international companies on the development of ePR because of the dichotomous conceptualization of general approaches and levels of participation; the data showed that the independent variables that Hillman and Hitt (1999) believed would affect participation especially – notably pluralist models of interest representation and financial resources – did not hold in the case of the ePR.

The greatest limitation faced in this research proved to be setting up interviews with actors in the units of analysis who could corroborate the empirical data or provide unique perspective and insight into the managerial decision-making process at the firms in question. Over the course of this research, 43 unique individuals with insight of the development of ePR were contacted through a variety of means: 34 employees at the firms listed, four members of the EUP, two members of the EUComm, and three interest group members and activist. Contact was also established the firms' social media accounts via Twitter. In the future, researchers should take care to contact potential interview subjects earlier in the interview process, and perhaps leverage established networks at their institutions to directly contact interview candidates, especially if the topic of their research is sensitive in nature

Another limitation of this research was the inability to find firms with transactional approaches to political strategy. The goal of this research was to test the applicability of the Hillman and Hitt

model at the EU level through a specific, contentious piece of regulation. However, the lack of firms pursuing a transactional approach meant that many of the predictions of the Hillman and Hitt model could not be tested, leaving questions about whether the predictions not tested do apply to other pieces of legislation where companies do make use of a transactional approach. To increase the internal validity of their studies, future researchers should make deliberate attempts to identify firms that use both relational and transactional approaches in their field.

Data collection of CPS at EU-level policy organs that were not the EUComm proved to be difficult - identifying which firms met with the EUP or EUC was impossible without interviews, as such data is not readily disclosed. Moreover, what information the EUComm does provide about meetings does not divulge the topic of the meeting. Therefore, it is impossible to ascertain which strategies and tactics were applied at which elements of the ePR - did firms seek to lobby on issues related to machine-to-machine communications in IoT, or the convenience of cookies? Were the former EU-level employees hired by the firms directly involved in the development of ePR or not? The EU's norms and values regarding the disclosure of CPS and lobbying at the EU level remain scant, thus make investigation of its details difficult.

This research was also impaired by an inability to comprehensively evaluate financial strategies through more than one tactic. Whereas other strategies were examined using at least two tactics, the obscurity and cultural/legal taboo regarding providing EU officials with financial incentives (such as paid travel) prevented this research from doing so effectively. This weakens the internal validity of this study but could only be remedied through far more interviews with a diverse set of actors, each willing to speak frankly about financial incentive strategies. The firm institutional constraints on financial incentives in the EU, as reflected in this research's investigation of ePR, speaks to the fact that the Hillman and Hitt (1999) draws on United States conceptualisations of CPS so much so that it limits its applicability to the EU context. This is reflected in frequent use of concepts such as 'political action committee', which are not mirrored in the EU.

There are several recommendations which can be considered by researchers who will seek to apply the Hillman and Hitt model in the future. It would first be prudent to make deliberate efforts to find units of analysis that use a transactional approach, regardless of how regulated the policy field in question. This will expand the number of propositions which can be tested and strengthen the internal validity of the research. Next, researchers would be well advised to use case-specific conceptualisations of credibility to further strengthen the internal validity of their research - how credible a firm is in its field of operation was indicated as a key consideration by both interviewees. It would also be interesting to see whether other prominent regulations regarding data privacy - such as the GDPR - would be subject to equally intensive information provision strategies, or whether financial incentive and constituency-building strategies would be more prevalent.

This research has also ascertained some adjustments that could be made to the Hillman and Hitt model, which would increase its applicability to regulations like the ePR. First, the dichotomous conceptualisation of generic approaches and levels of participation should be re-examined. Future research could test using quantitative methodologies whether international firms in the EU use transactional approaches at all, and if so, in which policy domains. The same principle applies to levels of participation. This research makes it clear that all firms participate in the community they are embedded in, and it would be helpful to amend the Hillman and Hitt model to reflect the nuance of the various levels of participation firms pursue in the present.

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Appendix

Appendix I: Conceptualisation and Operationalisation of Variables

Variable Type	Variable	Data Type	Data Source	Operationalization
Independent	Dependence on Government	Number of issues that each firm lists as of concern to the firm; number of subsidies received from the EU	EU Lobby Transparency Register; interviews	How many issues the firm considers relevant to its operations? How much did the firms in question receive from EU subsidies?
Independent	Product Diversification	Percent income from a single revenue stream	Newsmedia and associated infographics, corporate press statements	How much of the firm in question's revenue comes from a single product or industry?
Independent	EU Interest Group Structure	Academic evaluation of the nature of interest group structure.	Published Academic Articles	Is the EU more pluralist than it is corporatist
Independent	Financial Resources	Total Firm Revenue	Newsmedia and Corporate websites	How large is the firms total revenue?
Independent	Credibility	Years of operation in the EU	Corporate Website 'About Us' section; news media	How many years has the firm operated in the EU?
Independent	Membership	Number of Employees in the EU	Corporate Reports, news media, voluntary corporate disclosures	How many members does this firm have in the EU?
Dependent	Constituency-building strategies	Corporate press rooms and blogs; twitter posts of EU-dedicated accounts; number of summits/conferences attended	Every firm's EU policy twitter page, searching for the keyword 'ePrivacy' and 'ePR', participation in seminars/panels/debates/conferences	Did the firm seek to build support among the public about ePrivacy regulation? Did the firm engage in public events and social media regarding ePR? How many tweets did the firm write between 2015 and 2020 that mentioned ePR?

Dependent	Financial strategies	Hiring former EU employees into the company	LinkedIn and Interviews	How many former EU-level employees did the firms hire to EU government relations positions?
Dependent	Information strategies	Total lobbying expenditures; number of meetings with the EU Commission on the topic of ePrivacy	Interviews, EU Transparency Register, lobbyfacts.eu	How did the firm seek to directly influence policymakers in the EU? What tactics were most pervasive?
Dependent	Generic Approach	The presence of a permanent office in Brussels; the presence of dedicate EU government affairs employees; the number of lobbyists registered at the EU level	lobbyfacts.eu and LinkedIn	Does the firm have an office in Brussels? Does the firm employee EU government relations personnel; How many EU lobbyists does the firm have registered?
Dependent	Levels of Participation	Collective; How many CPS-related interest groups each unit of analysis is a party to; Individual: The number of meetings each firm had with the EU Commission on ePR.	Collective: EU Transparency Register cross-referenced with association websites; Individual: lobby facts.eu	How many CPS-related associations is the firm a member of? How many ePR-related meetings has the firm had with the Commission
Dependent	Strategies and Tactics	See Information, financial, and constituency-building strategies		

Appendix II: Interview Agenda and Questions**Interview Rundown: ePrivacy Regulations and Political Strategies****Brief Introduction****Confirming Consent Parameters (Notes, Recordings, Anonymity)****Background**

- Q1: Why are ePrivacy Regulations important to your firm?

Decision 1: General Approaches to Political Action

- Q2: As far as you are able to tell, is your approach to political strategy and activity unique from other firms in your industry? (this question is not specific to ePR)
- Q3: Does your firm seek to establish relationships with EU policymakers over time and across issues, or does it seek to engage with EU policymakers on specific issues once they arise? (this question is not specific to ePR)

Decision Two: Levels of Participation

- Q4: How would you characterise your firm's cooperation with and dependence on interest groups throughout the development of ePR?
- Q4.1: In general, does your firm prefer to engage EU policymakers as part of a collective (such as an interest group, coalition, or professional/trade association), or individually? Has this held in the case in the development of ePrivacy Regulations?
- Q5: Does your firm have unique knowledge and experience on affairs related to ePrivacy that are valued by EU policymakers? How would you characterise this knowledge (consumer data, consumer preferences, etc)?
- Q6: Do you believe that your firm and other firms/interest groups were given similar consideration by the EU Commission where the ePR was concerned?

Decision Three: Strategies and Tactics

- Q7: How has your firm used constituency-building tactics with regard to the development of ePrivacy Regulations? *(These include grassroots mobilisation, advocacy advertising, public relations, press conferences, and political education programs - See Figure 1)*
- Q7.2: Which of these tactics does your firm employ most frequently with regard to ePR? Why?
- Q8: How has your firm used financial incentive tactics with regard to ePrivacy Regulations? *(These include political contributions, honoraria, and hiring former EU-level political officials - See figure 1)*
- Q9: How has your firm used information provision tactics with regard to the development of ePrivacy Regulation? *(These include lobbying, commissioning research projects and reports, providing testimony as expert witnesses, and publishing position papers and technical reports - See Figure 1)*
- Q9.1 Which of these tactics did your firm employ most frequently?

- Q9.2 Do you employ these strategies during the development of ePR more frequently on an individual basis or as part of a collective?
- Q10: Which of the three aforementioned strategies - constituency-building, financial incentive, information provision - did your firm employ most frequently in the development of ePR? Do you believe that these strategies were effective in impacting the development of ePrivacy Regulations along your firm's preferences?
- Q11: Which of these strategies did your firm use the least where ePR was concerned? Why?
- Q12: Did your firm's employee base facilitate any of the aforementioned strategies or tactics? For example, did your employee base facilitate any grassroots mobilisation with regard to the ePR, or enhance the ability of your lobbyists to provide information?
- Q13: Has your firm's credibility in the EU enabled either information provision or constituency-building strategies where the development of ePR is concerned?

Concluding Remarks