

A Business Dilemma in EU Lobbying – Horizontal Relations and Parallel Action

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Abstract

This paper focuses on the participation of companies in decision-making processes where the rules of the EU form and reform. Incoherent general perspectives on this participation - one individualistic and the other collectivistic - raise the question of the characteristics of relations between companies within a specific industry, i.e. the so-called horizontal relations. Horizontal relations is an established notion when focusing on competitor relations in “traditional” business settings. It may also, as I here suggest, serve as a fruitful perspective to understand business participation in political settings.

This paper shows that the tension between the two general perspectives considerably problemizes the participation, i.e. constitutes an explanation to why lobbying is much more problematic in practice than normally pictured. In the EU rule forming processes, conflicts between companies within the same European industry are often handled by

competing/conflicting action *in parallel* to the formalized cooperation in the European industrial association.

The paper consists of three parts: 1) Research question (pp. 1-6), 2) Empirical description of the participation of the electricity producing industry (pp. 6-18), 3) Analysis and conclusion (pp. 18-22).

1. Ruleforming in the EU

Introduction

One of the more important changes for Sweden during the 1990ties, perhaps the most important, was the Swedish entry into the European Union (the EU) in 1995. Sweden's adjustments to not least the EU regulations had however begun several years earlier.

The Swedish State not only had to adjust to already established rules. The membership also implied important changes to the future forming and reforming of rules. Formal decisions about new and changed rules would in many areas no longer be made in the Swedish parliament but by the EU institutions. In other words, parts of the formal rulesetting moved from a national setting to a setting often characterized as a hybrid of inter- and supranationality. The membership meant possibilities for Sweden to put forward "Swedish positions" in the EU decision processes. But clear "Swedish" preferences and active participation in a spectra of areas also were demanded from the EU institutions (Jacobsson 1997).

The membership not only meant changes for the Swedish State, but also for individuals and organizations in Sweden. The joining of the EU and the so called internal market came to arrange not least Swedish companies¹ in a context of ideas and rules that, in many cases, considerably changed the conditions for business. Even if many large Swedish companies were internationalized long time ago, the importance of the processes where EU rules for competition and co-operation on markets, products, production etc form and reform, increased. Existing rulesystems and the forming of future rules not only became important from an adaptable point of view. In Sweden, as in many other countries, companies gradually begun to understand that participation in the ruleforming processes of the EU also may give opportunities to influence the characteristics of regulations.

This paper focuses on the participation of companies in decision-making processes where the rules of the EU form and reform. The kind of rules forming in such processes is coercive rules, i.e. rules that formally have to be followed². Empirically, data from the

¹ Swedish companies are here defined as companies that, even if established outside the national borders of Sweden, have their headquarters and top management placed in Sweden.

² Coercive rules differ from standards, i.e. formal rules that, at least formally, are free to follow. Coercive rules also differ from norms, i.e. informal rules generally without formal sanctions if broken (Brunsson & Jacobsson eds. 1998).

participation of one specific industry, i.e. the production and transmission of electricity, will be presented³. The empirical findings clearly indicate that companies participate in processes where regulations for markets, products, production etc form. The participation of companies in politics is however far from a general conception about companies' relations to their environments.

Ideal models and practice

General conceptions - also prominent in the academic world - picture companies and politicians as belonging to different and separated systems in society. Companies act on markets which frames in terms of regulations are formed in the stipulated hierarchy of the democratic State. The ideal models have however many interceptions in practice (e.g. Hernes 1978, Berrefjord 1982, Jacobsson 1987 and 1989). In processes where public resources are distributed, rules form, reform and are applied etc different types of public and private organizations take part. Change seems to be initiated, discussed and implemented in an interaction between organizations that according to general conceptions belong to different and separated systems in society.

The interaction between public and private interests is not only generally neglected. When focused - mostly in the so called lobbying literature - it is, likewise noticed by Andersen & Eliassen (1997) and Greenwood (1997), generally treated in a prescriptive, rationalistic and simplified manner. Also in organization literature, lobbying is, when mentioned, viewed in a similar way (e.g. Pfeffer & Salancik 1978, Oliver 1992). From this general perspective, organizations without formal rights to form coercive rules for others than themselves, although participating in processes where such rules form, thereby fit into two models: the one of the *ideal organization*, and the one of a *pluralistic political system*.

The ideal model of the organization has been argued to consist of identity, hierarchy and rationality (Brunsson & Sahlin-Andersson 1999). It reflects a considerable belief in top management's possibility to understand, predict and change not only their own organization but also other organizations or even whole sectors in society. Organizations have identity-based preferences that are stable over time. Boundaries between the organization and its environment are clear and well known, and the picture of the organization over all monolithic. The model does not only reflect the general idea of how it is but also of how it should be. The ideal model of the organization has however since long been argued to have little to do with organizing in practice (e.g. Cyert & March 1963). In "modern" theory about organizational decision-making (March 1988) the ambiguity that characterizes what actors want (preferences), how effects are achieved (technologies) and what has happened (history) is emphasized.

A pluralistic political system means that organizations quite independent of the state participate and try to influence formal decision-makers in other ways than through established political institutions. In other words, actors search for new methods to

³ The paper is a shorter report from my ongoing PhD-project in which also the participation of a second industry is studied: the production of heavy trucks.

influence political decision-making. The processes of decision making become more informal and the competition for the attention of the formal decision-makers increase (SOU 2000:1). Lobbying becomes a way for the organization to, regardless of other interests, put forward identity-based preferences.

All together, the two models give a highly individualistic and relatively unproblematic view of organizations such as companies and their participating in the EU ruleforming processes. But what do these models have to say about ruleforming in practice? From a company point of view, does the individualistic and unproblematic view very well reflect what the participation in the work of the EU institutions is all about?

Besides the general individualistic picture emphasizing competition for the attention of formal decision-makers, there are also general pictures of co-operation and collectivism. As the EU institutions and the European industry successively became more interested in each other's work and resources, co-operation between companies was established as a result (Cowles 1997, Greenwood 1997). Today there is a huge amount of sectional⁴ as well as transsectional⁵ European industrial associations in Brussels. In these co-operative structures companies from all over the EU (and sometimes even from other countries) participate to collect information and act together towards the EU institutions. European companies in an industry *acting together as one* is the key idea here. Formalized collective co-operation between private interest groups and the state (here: the EU institutions) is sometimes referred to as corporatism⁶.

To sum up, there seems to be at least two rather incoherent pictures on companies' participation in the rulesetting processes of the EU. One emphasizes an individualistic perspective where organizations, mostly informally, compete for the attention of formal decision-makers. And one pictures the EU as a more established co-operative system where companies within an industry act as one unit rather than compete for the attention of the EU institutions. As a result there seems to be a tension between the perspectives, at least if opinions in specific regulatory matters differ within a European industry. This inconsistency generates the more specific question to be answered in this report:

What characterizes the *horizontal relations* between companies within an industry, participating in the ruleforming processes of the EU?

Hardly focused in rulesetting processes, the notion horizontal relations is however often used to understand how markets function in practice. In this report I will however argue that an elaboration with the notions from horizontal industrial relations may be a fruitful way of understanding companies' relations within an industry when participating in the ruleforming processes of the EU. Consequently, this elaboration helps understanding how the two incoherent perspectives above are reflected in

⁴ Examples of sectional business associations are Eurelectric for companies in the EU producing and distributing electricity, and ACEA for car and truck manufacturing companies in the EU.

⁵ Examples of transsectional business associations are UNICE (the Union of Industrial and Employers' Confederations of Europe), and ERT (The European Round Table of Industrialists).

⁶ In political science, corporatism is often discussed as the opposite of pluralism (e.g. Schmitter 1979, Hermansson et. al., 1999).

practice. Before the empirical part of the article I will most briefly present some of the essence of horizontal relations in industries.

Horizontal relations within industries

Competition is a central notion in general conceptions of markets. Competition is often seen as a form of contest between actors on the supply side of the market. Economic theory, which highly has influenced these conceptions, is based on a perspective on actors as highly rational, independent and self-governed. Selling actors compete in order to maximize their economic benefits. Products are homogenous and their price is the fundamental competitive device. Loyalty or binding relations of any kinds between the actors on the market do not exist, and buyers act on perfect information and maximization of utility.

General conceptions of markets do not very well correspond with how markets function in practice (Hernes 1978, Brunsson & Hägg 1992). In practice, markets are not only characterized by much more complex situations of competition than in general models of the market. They are also to an important extent characterized by co-operation between organizations.

An over-arching division in research about how markets and industries function in practice is whether focused relations are vertical or horizontal. Vertical relations are relations between buyers and sellers. Transactions between buyers and sellers are what the notion market more strictly represents. Horizontal relations mean, as mentioned above, relations between competitors within industries. In studying business networks, relationships between competitors have not been analyzed to the same extent as vertical relationships (Bengtsson & Koch 1998). An important difference between horizontal and vertical relations is that vertical relations per definition are based on economic transactions. Horizontal relations, on the contrary, are mainly built on information and social exchanges (Easton & Araujo 1992). Relations between companies within an industry have been found to be of several different types, varying from being highly conflicting to highly co-operative - also in the sense that the relations violates coercive rules (Easton 1988). Competitors have also been found to coexist, i.e. not knowing about each other or not considering each other being in the same business.

The varying forms of relations between competitors can be either direct, e.g. in a joint venture or a cartel, or indirect through e.g. common customers. Competition, i.e. parallel striving directed towards common customers, is viewed as the typical form of an indirect horizontal relation. Co-operation may be either formal or informal. Formal cooperation is distinguished by being overt, planned and managed or at least capable of being so. Informal cooperative activities are much more likely to be individual, random and unplanned (Easton & Araujo 1992).

The more established view of horizontal relations as either cooperative or conflicting in different forms has been criticized. Instead it has been argued that different kinds of cooperative and conflicting relations may be, and even ought to be, parallel activities in relations between companies within an industry. In order to benefit from simultaneous

conflicting and cooperating activities it is however argued that they must be disconnected (Bengtsson & Koch 1998).

After a brief look at horizontal relations in markets I will from here shift to focusing on what characterize horizontal relations within the ruleforming of the EU. The different perspectives on business firms etc as either highly competitive or cooperative give a somewhat ambiguous and blurred picture of what characterizes horizontal relations in this specific environment.

As earlier mentioned, data has been collected within the electricity industry, i.e. companies producing and distributing electricity. Data mainly consists of interviews with some 40 persons formally belonging to organizations such as Vattenfall, Sydkraft, some smaller Swedish electricity producers, the Swedish power association, the European electricity association, the permanent representation of Sweden to the EU, the ministry of industry, the Swedish environmental protection agency, the European Commission. Besides the interviews I have participated at four meetings arranged by the Swedish ministry of industry for improving the contacts in EU matters between the government and Swedish industry associations. I have also collected relevant EU documents, articles etc, mainly over the Internet. This paper only represents a shorter report from my ongoing PhD process, and in order to keep this paper relatively short I will in the next section present an over-arching picture of one of the two industries being studied, i.e. the electricity industry.

2. Electricity companies in the forming of EU regulations

Both transectional and sectional industrial associations take part in the ruleforming of relevance to the industry here focused, i.e. the production and distribution of electricity. The sectional associations are however the most important concerning companies participation in the regulative work of the EU institutions for this industry. Besides transectional and sectional industrial associations companies may also participate in the ruleforming through their own representative offices in Brussels. As will be described, there is a lot of interaction in Sweden between public and private organizations, and also between Swedish companies, in connection to the work of the EU institutions. The national, subnational and European levels are in practice deeply embedded in each other.

Energy becomes of supranational interest

The idea of a common internal market for goods and services did not at first cover the electricity industry. Markets for coal, gas, and electricity were considered to be the most national ones and therefore the most difficult to change. This led to that the energy markets were left out in the so called White paper presented by the Commission in 1985 as a ground for the Single European Act (SEA)⁷ (Matlary 1997).

⁷ The SEA meant considerable regulative changes in order to strengthen the EU internal market. The EU Commission got increased power in order to strengthen the function of the internal market, not least by taking away the veto from the single EU member countries.

However, the idea of the internal market grew successively stronger and in 1988 the Commission proposed that the principles of the internal market also should cover electricity⁸. Specifically the DG for competitive issues represented a strong pressure in favour of this change.

The reactions to the proposition among companies and member states varied but where over all not in favour of the idea (Lindén 1997, Matlary 1997). The proposition however contributed to strengthen the perspective of the Commission as the central ruleforming institution in the EU, also in this area. As a response to the transferring of electricity-related issues from the member states to the supranational EU, different interests also increased their participation in the work of the EU institutions. Over the whole energy area industries formed EU associations in order to follow and participate in the work of the EU. The cooperative structures that these associations represented where formed after each form of energy. For example, the gas-producers formed Eurogas, the oil-producers formed Europa, and the electricity-producers formed Eurelectric.

Eurelectric is established

Eurelectric was formally established in 1989, and its secretariat was located to Brussels. The reason to establish Eurelectric was the initiative from the Commission to liberalize and harmonize the electricity market of the EU countries. As explained at the secretariat the electricity producers needed to take part in this comprehensive work.

Eurelectric focuses totally on the work of the EU institutions. The sectional organization, only open for companies in EU member countries, thereby functions as the official lobby-organization of the European electricity industry. The over-arching goals presented in formal documents⁹ are to:

- represent the European electricity industry in dealings with the EU
- arrive at joint positions so that the sector can speak with a single voice
- contribute to the harmonious development of the European electricity system

The joint positions of Eurelectric

The importance of speaking with one voice to not least the Commission is not only presented as an over-arching goal in formal documents. It is also emphasized at the secretariat of Eurelectric in Brussels. If Eurelectric gives written positions that are vague because the members have different opinions in a specific question, then, it is argued, it is easier for the Commission to ignore the opinion of the industry. This is also confirmed within the DG energy of the Commission. Vague, i.e. highly compromised, opinions are accordingly viewed as a threat to the industry's influence in EU regulative matters.

⁸ COM(88)238.

⁹ E.g. Eurelectric Annual Activity Report 1996 and 1997.

Separate reservations in the Eurelectric written positions are, however, considered to be an even more severe threat to influence. Such separate reservations may occur when the electricity industry of a specific EU country (companies are represented by national sub associations in the internal work of Eurelectric) has a very different opinion from the one worked out in Eurelectric. The secretariat of Eurelectric does not at all want written reservations in formal positions from specific members. Such reservations are said not only to decrease the strength of the formal position, but also to undermine the legitimacy of the European association. Vague formal positions are therefore preferred instead of formal reservations in the written opinions of Eurelectric.

In practice, written reservations are also uncommon. The U.K. is said to have had a few reservations during the first years of Eurelectric when the British industry thought the Eurelectric positions were not pro-deregulative enough. Besides these reservations there is not said to have been any more written reservations in the position papers. Even if written reservations are extraordinary in the formal positions, companies may threaten with reservations in the internal process of Eurelectric. An example of this is when Swedish companies - organized in the sub-Eurelectric association Swedelec - threatened to make a reservation to a Eurelectric position that generally was very negative to the strategy to Combat acidification proposed by the Commission (COM(97) 0088). Swedelec, being quite alone of their opinion in relation to the other members in this question, yet put a lot of effort in trying to make certain changes in the formal position of Eurelectric. The considerable opposition from Swedelec came late in the internal process of constructing a written Eurelectric position, but led to that a specific part of the text after considerable discussions was slightly changed.

It has also occurred that the industry of a larger EU country has threatened to leave Eurelectric during a considerable conflict. In 1999 the state owned company EdF (Electricité de France) - in practice in a monopoly situation on the French electricity market - threatened to leave Eurelectric if the European association would argue for certain market liberalizations that would threaten the strong position of EdF on the French market. As France is considered to be an important and influential country in the EU, the other members of Eurelectric then chose to withdraw their deregulative position. "Eurelectric would hardly be able to function properly without France" was an explanation given from the Swedish association for electricity-related EU questions: Swedelec.

The structure of Eurelectric

What is then the procedure of working out formal positions in Eurelectric? Before this question is dealt with, we will take a short look at the formal structure of Eurelectric. Eurelectric has a formal hierarchical structure of three levels. In the top, there is the *Committee*, where the electricity industry of every EU country has one representative each. These representatives are often managing directors of large companies or directors of the sub-associations of Eurelectric as in the case of the Swedish industry.

Under the level of the committee there are four *domains* divided after which questions they deal with. 1) Energy policy and energy economics; deals with questions about

production- and transmission technologies and the regulation regarding this. 2) Market structure and regulation; deals with market related regulative issues such as transmission, tariff-systems, public procurement and competition. 3) Products, markets and customers; deals with consumer related questions such as segmentation, marketing, energy-planning etc. 4) Environment and sustainability; deals with environmental related issues and their regulation. Particularly domain 1 and 4 deal with highly technical questions as production, transmission, and environmental related questions often demand advanced calculations and technique.

Each one of the domains is led by a section consisting of some 15 persons. Each section is in its turn led by a member of the committee and each of the member countries industries has the right to have one member in each of the four sections.

Each domain consists of several *working groups* - i.e. the third level in Eurelectric. It is at this level that the main work with EU related issues is done. Also here the work is done by representatives for each and one of the EU countries electricity industries.

The work of the committee, the sections and the working groups of Eurelectric is mainly done by persons from the different European electricity companies. Representatives from the different national associations may also participate at the different levels. The participation in the work of Eurelectric is generally a sideline job to the ordinary occupation in the electricity company or the national business association where the persons are formally employed. Where in Eurelectric representatives participate has to do with their specific expertise. A manager in Mälarenergi, having worked a lot with questions concerning pollution and large combustion plants, does for example take part of the working group “Water, Air and Residues” in domain 4 (environment). The meetings in the committee, the sections and the working groups are normally held at the Eurelectric office in Brussels. The costs emanating from the work in Eurelectric are paid by the companies or the national associations where participating persons are employed.

The work of Eurelectric is not only done by employees from the companies or national associations around Europe. To administrate the work at the different levels, Eurelectric has employees at the office in Brussels, the so-called secretariat. They participate at the meetings of the committee, the sections and the working groups, in order to take notes, keep informed of the discussions between their members. They are also said to participate in the discussions.

Besides administrating the work inside Eurelectric the employees describe them selves as lobbyists. The “lobby” part of their work consists of having continuous contacts with the EU institutions, other interest organizations in Brussels and with media. The members of the secretariat often have long experience and high knowledge of the work of the EU institutions. Earlier, they have often worked within the Commission, at lobbyist firms in Brussels etc. The secretariat is led by the secretary general of Eurelectric. The costs for the secretariat and its 20 employees are paid by the member companies through the national associations.

The forming of joint positions

As stated above, the work of forming common industry positions in EU regulatory matters is mainly done in the working groups. In my investigation this work is generally described as conflicting, i.e. member companies often express different opinions concerning specific EU regulations. Forming a homogeneous opinion of the European electricity industry may be problematic as the different countries often have, or in the process develop, heterogeneous preferences.

Often, the work of the working groups emanates from the information that the Commission has started to work with a proposition for a directive or some other form of document that might lead to future regulations. Eurelectric may have such information from the Commission in an earlier or later stage of the Commission working process. To be able to influence the forming or reforming of coercive rules, it is considered important to have information about Commission initiatives as early as possible. Mostly, Eurelectric gets this information before the Commission presents a formal proposition for a directive etc. This information is often given in the working groups that the Commission establishes in order to take in the opinions of interested parties, not least from the concerned industries. Experts from European industry associations, environmental organizations etc then may participate at the same meetings as experts representing the EU member countries.

The Commission may also separate the discussion with national experts from the discussion or information to other organized interests than member states. The Commission may also inform the industry very late in the process or not at all, but then the secretariat of Eurelectric, sometimes with help from their members, explain that they nevertheless are able to get early information of what is going on. Besides groups of expert arranged by the Commission, Eurelectric may set up their own meetings with key persons from the Commission. At these meetings, mostly held at the Eurelectric secretariat, the parties not only exchange information but also express opinions in specific questions.

Explicit preferences from the European association seldom initiate the regulative work of the Commission. In other words, Eurelectric rather reacts to potential changes in the environment than proacts. Within the secretariat of Eurelectric the regulative processes are caricatured as if it is the role of the EU institutions to drive regulative changes, and the role of the industry to obstruct them.

When Eurelectric has got information of a regulative initiative of importance, experts from the different member companies start to work out a common position in the matter. This often takes months and several meetings, and the process in Eurelectric normally follows the working process of the Commission and the other EU institutions involved (primarily the European Parliament and the Council). The result of the working group discussions may be “strong” and precise texts if the opinions are relatively homogenous, or “weak” texts, i.e. vague formulations, if the opinions differ. The latter situation is the most usual one. It has happened that the industry of some member countries in frustration has revolted against vague Eurelectric formulations in order to put pressure on those of conflicting interests. Last years the U.K., Finland and

Sweden have for example expressed such opinions regarding Eurelectrics' several vague positions concerning the liberalization of the EU electricity market. In this overarching matter the French industry is seen as the main opponent in the internal discussions.

It may also happen that an industry of a specific country, being relatively alone of an opinion, chooses not to express this deviating preference. Reasons to this given from the Swedish industry is that it may be little use in quarreling if being alone of a deviating opinion and that conflicts in them selves may be unpleasant.

In the working groups, many different regulative matters are often treated in parallel. In certain working groups with a considerable load of work, such as the group "Water, air and residues", up to 10 questions may be handled in parallel. Often there is not only a need to form a joint position. Considerable calculations, modelling, statistics etc are often made by experts in the groups and their colleagues, in order to back up a written position.

When a working group has reached a joint position in a regulative matter, the written position goes up to the next level in Eurelectric: to one of the four sections. Here the discussions often continue and the texts are also often slightly reformulated. It is however unusual that the written positions are more radically changed at this level. After this the written position goes to the last level of Eurelectric, the Committee, for approval. When this is done the formal position of Eurelectric is official and may be sent to external parties, presented at the Eurelectric Internet site¹⁰ etc.

Other ways of spreading opinions

Opinions from Eurelectric may be spread both before the formal position paper is ready as well as in other ways than through distributing the formal position. As described above, meetings between representatives from Eurelectric and from the Commission may be such a way. Such meetings may be held before or after a formal position exists. Even if having reached a joint position in Eurelectric national industries may take a chance to express slightly different opinions more close to their own preferences as such meetings. An example of this happened when one of the sections in 1999 held a meeting with the Commission concerning transmission problems within and between EU states. During the discussions, the German industry expressed successively more deviating opinions in relation to the joint position. The representative of the Swedish industry noticed this but kept quiet, as he did not want to break the norm of not showing conflicting internal opinions externally. On the other hand he gradually became more and more annoyed as the Germans continued to express their deviating opinions as being the ones of the European electricity industry. The incident did not go so far that the Swedish representative chose to correct the two Germans, even if he explains that it was close. To avoid quarrel within the section he chose not to discuss the occurrence with the Germans after the meeting.

¹⁰ www.eurelectric.org

Also before joint positions have been worked out, Eurelectric usually spreads opinions to the Commission. This can be done by those persons representing Eurelectric at the meetings in the advisory committees often, and in various forms, arranged by the Commission. It may also be done in letters to key persons in a certain issue at various levels in the Commission. It is quite clear that certain companies and national industries sometimes exploit their positions in the Eurelectric hierarchy to present "Eurelectric" positions more or less changed in direction to their own preferences. This may occur at meetings in the advisory committees or in letters, even if a formal position is or is not yet agreed upon in the internal work of Eurelectric. Representing a smaller national industry and having lesser understanding of how the processes of the EU work in practice, may increase the risk of being out-manoeuvred in the European industry association in specific questions, even without knowing it.

Relations in the member states important

The participation of companies in the EU ruleforming can not be limited to Brussels without the loss of important aspects of the processes. A considerable amount of work is taking place at the national levels as well. Here the electricity industry, in the cases there are more than one producing and distributing company in the EU country, tries to work out their preferences, how their work in Eurelectric should be co-ordinated etc. At this level there are also considerable connections between the nationally delimited industry, the government and the national authorities.

To be able to participate in Eurelectric, a national association for EU related questions is demanded. These organizations function as sub-associations to Eurelectric. Besides the forming of opinions in EU related matters the national association functions as a channel for information to the different member companies. At meetings on the national level what is going on in different working groups in Eurelectric, and in Brussels in general, is discussed.

Swedelec

In Sweden the national association for EU related questions is named Swedelec. In connection to the Swedish EU membership the Swedish electricity industry wanted to be able to look after their interests in Brussels. To be able to do this through the European association Eurelectric, the Swedish industry had to establish an organization in the shape of a limited company representing the totally dominating part - i.e. at least 90% - of the Swedish electricity supply side. The Swedish industry had preferred to do as usual, i.e. organizing the necessary cooperation informally. But the tradition in Brussels is more legalistic and a formal organization had to be established. That was the way industry relations to the EU institutions generally were organized. The consequence was that Svenska Kraftverksföreningen (the association of the electricity producers), Sveriges Elleverantörer (the associations of the electricity distributors) and Svenska Kraftnät (the state owned company owning the high voltage electricity transmission net in Sweden) together formed Swedelec. Thus, a formalized cooperation

at the national level became the necessary “entrance ticket” to Eurelectric and the ruleforming processes in Brussels.

The board of Swedelec consists of CEOs from the Swedish member companies and the industry associations. The board normally meets four times per year in connection to the meetings in the Eurelectric Committee. At the preparatory meetings in Swedelec the issues on the Eurelectric agenda are discussed. The participants discuss the matters in order to agree on what to think and what to do. These meetings are described as characterized by mutual understanding rather than by conflict. It is seldom hard to agree on what to think as a Swedish industry in the different regulative matters on the Brussels agenda.

As a help to the representatives of the Swedish industry Swedelec has a written list of opinions. The list is constantly adjusted in connection to the Swedelec board meetings. Here there are more over-arching opinions such as working for a harmonization and liberalizations of the EU electricity markets, or more specific opinions such as working for a recycling of certain chemicals filtered from the emissions from large combustion plants.

In order to decrease the risk of spreading different Swedelec opinions in Brussels, a written agreement was formed between the members of Swedelec. In short this agreement say that if the members of Swedelec not can reach an agreement, then Swedelec shall not give any opinions in the work of Eurelectric. However, in practice it is seldom difficult to reach a Swedish industry consensus in the EU related questions.

To the meetings of Swedelec the participants rarely come with stipulated opinions established in the different member companies. Instead it is rather in the cooperation around Swedelec that the opinions of the Swedish member companies are formed and get support as a reaction to what happens in Brussels.

“Swedelec tries to work out the Swedish positions in order to bring them to Brussels and tries to come to an agreement with the opinions of the other countries. And in the internal process taking place to get a Swedish position we, as a company, are forced to consider what may be our opinion. And this is actually a rather good way for us to handle these questions”.

The connections between the activities of the Swedish companies and the preferences worked out in Swedelec are principally built on a general form of tacit knowledge that the representatives have of their companies. There are seldom activities going on in the companies in order to generate opinions in EU related matters. The persons representing their companies and the associations in Swedelec know each other well. This is also said to be a necessity for a well functioning cooperation. Often, there is little time to discuss matters, form opinions and arguments, and discuss what to do. Even if the involved persons know each other well, it is not always that the transferring of information from the around 40 Swedelec representatives in Eurelectric to the coordinating persons in Swedelec functions. The consequence of this may be reactions in a late stage of the processes, something not considered to be effective by Swedelec coordinating people.

National authorities

In the same way as general conception of boundaries between competitors do not hinder the possibilities to cooperate in the construction of preferences and arguments etc in Swedelec, the conception of boundaries between public and private does generally not hinder cooperation in practice. In authorities (ämbetsverk) such as the Swedish Environmental Protection Agency (Naturvårdsverket) there are experts in electricity and power related questions. These persons may represent Sweden in the Commissions advisory committees. Contacts between these experts and the experts in companies and associations are usual and mostly informal. The industry may give information to the authority about what happens in a specific ruleforming process, information that often come from the participation in the work of Eurelectric. When leaving such information the industry often inform the authority of their own opinions in the matter in the same time, as well as ask for the opinions of the authority experts. The authorities may also provide the industry with information. Just as in Swedelec the Swedish industry and the authorities often form about the same opinions in regulative matters.

Authorities as the Swedish environmental protection agency have other roles and other “entrances” to the decision processes of the EU than companies and their associations. If the opinions are about the same, the industry may provide the authorities with arguments to back up the opinions. Experts both within authorities and ministries value the national relations to the industry, not least because it may provide valuable information about what is happening in the EU ruleforming processes. The opinions Swedelec, besides the information and argumentation, presents to authorities may correspond to the opinions worked out in Eurelectric. But often they do not as different opinions between the national industries often exist within the EU electricity industry.

The ministry

The character of the relations between the ministries (regeringskansliets departement) and the companies are similar to the relations between companies and authorities. The persons involved in the same EU processes often know each other, and there is not said to be any difficulties in taking informal contacts. Further, it is not unusual that persons working in companies or their associations have been employed by authorities or by the ministry before. As in the relations between companies and their associations on the one hand and authorities on the other, information is often given in both directions.

The ministry of industry deals with an important part of the EU related electricity matters. A unit within this department tries to coordinate the specific issues at the agenda with the over-arching values of the Swedish government: a sufficient supply, protecting the competitiveness of the Swedish industry and protecting the environment. As these values are highly general much of the work is in practice focused on working out positions in specific regulative matters. As an explicit ambition of this department is

to protect the competitiveness of the Swedish industry in general it also becomes important to know what different Swedish industries may think in specific matters.

In order to find out what are the opinions of Swedish industries in energy related EU questions, meetings are held four times per year. The meetings are held before the meetings of the EU council and mostly deal with questions that are to be discussed and decided in Brussels. In general, particular companies are not invited. As in the Commission advisory committees, associations represent their member companies. Not only electricity producers' associations participate but also different industries being large consumers of electricity. Authorities and other interest groups also participate, but in practice most participants represent companies.

The atmosphere during the meetings is relaxed and characterized by a mutual understanding. Differences in opinions are generally described as considerably lesser than between governments in EU member states or between companies in different EU countries.

The ministry explicitly demands opinions of what the Swedish position ought to be in specific questions. In cases when the participants do not agree on a position the ministry has an informal policy not to present any opinion in the Council. The reason for this is that it is considered difficult to push for a Swedish opinion if not everybody agrees and work for the same position everywhere.

“if we only agree to 75% it is better to stick to what we agree on instead of being fundamentally correct all the way. Then it is better to find something to work for together.”

Representative offices in Brussels

Besides the often conflicting cooperation within Eurelectric, particular companies may have their own representative offices in Brussels. Like other big electricity producers in the EU the Swedish electricity producers Vattenfall and Sydkraft have such offices. Vattenfall is said to have about the same structure as most other representations, i.e. at one hand dealing with the EU funding for research and infrastructure, at the other carrying out a more general “scanning” of what is going on in Brussels that might be of importance to the company.

Apart from the distribution of EU funding, much may happen in Brussels that is of interest to a company. This does not least concern the regulative work of the EU institutions. What the company offices are said to work with in order to handle potential or actual changes in Brussels may be sorted in three main activities:

- continuously gather information about what is going on
- when considered necessary try to influence specific issues in favour of the own company
- continuously develop and maintain the network of personal relations in Brussels.

The three tasks are said to be connected. A well developed network of personal relations is considered necessary to, at one hand, get initiated information in an early stage, at the other to be able to spread opinions “in the other direction” of the network if having got information of important processes going on.

In the representative office of Vattenfall 2-3 persons normally work. Outside the office the work to a great extent consists of separate meetings with persons from the Commission, the European Parliament etc. The office may also arrange meetings in Brussels for people working for Vattenfall in Sweden, often also participating in the network of Swedelec. Sometimes persons at the Vattenfall and the Sydkraft offices in Brussels also visit employees in the Commission or persons in the European parliament together. Especially in the Commission, employees are said to be very busy. When having an appointment with such persons, careful preparations of message and argumentation is said to be important, not least if one wishes to be able to come back in the future.

An aspect of developing a network of relations in Brussels is to try to get persons from the own company, or from Sweden in general, to work within specifically the Commission. Such persons may not least be important providers of information. The Vattenfall office may find out that the Commission wants to recruit an expert from Sweden (that generally is said to be poorly “represented” within the Commission) within some electricity related area. Such national experts help the permanent employees of the Commission for a limited period of time. The Vattenfall office may then try to find a suitable person in e.g. the company in Sweden. If Vattenfall in Sweden and the specific person accept, the office in Brussels then contact the Swedish authorities to push for this solution as the authorities and the ministry have the formal right to decide in these matters.

Competition and cooperation between competitors

When conflicts within Eurelectric lead to that specific members only in a compromised way, or not at all, reach the EU institutions with their opinions, alternative ways of influencing may become attractive.

Alternative ways of spreading opinions in EU rule forming processes are also used. This means that competition in specific questions may occur in parallel to the formalized cooperative structure that Eurelectric represents. Depending on where in the EU process a specific matter is dealt with, parallel strivings may mainly be focused on the Commission, the Council or the Parliament. Within the Swedish industry the following description was given about competition between companies in the ruleforming processes of the EU:

“In the beginning we were very bad at this ... because we thought that it was a considerable breach of etiquette to act in conflict of a decision. But then when we saw that all the others quickly ran to the Commission and told them that they not at all agreed what the others had said [through Eurelectric] but instead had a much better idea, then we had to start doing that

too. Now, we are not so good at this. It takes both time and resources and one must learn the rules of etiquette in the Commission and one must establish personal relations..."

Single companies may try to influence the EU institutions by them selves. Then they don't have to compromise with their preferences. The companies' representative offices in Brussels then become important in this competition, not least by the use of their network of relations. However, if parallel strivings don't take form within an informal alliance with companies or national industries with similar preferences the possibilities to influence are considered to be small.

It is not only nationally delimited cooperation that may take place beside Eurelectric. Informal cooperation in form of alliances between certain national industries may take form in connection to the meetings in Eurelectric. Such informal alliances may be seen as informal occasional cooperation *within* the frames of the formal, long-term cooperation that Eurelectric represents.

After discussions that have led to blocking conflicts within Eurelectric, informal cooperation over national borders may also take form *outside* the work of Eurelectric. In 1999 a blocked conflict within Eurelectric led to that a group of representatives of some national industries set up a meeting in a restaurant in Brussels. The opposition of a liberalization of the electricity markets from the French industry was to be fought in a specific matter. The informal group "outside" Eurelectric agreed to inform the Commission about their actual opinions in the question. This was also done and the Commission is said to have been pleased to be informed about the differences of opinions and the problems in the regulative matter.

3. Parallel horizontal relations

In this paper companies' participation in the ruleforming of the EU has been in focus. Initially, two rather incoherent general pictures of such participation were given: one being highly individualistic and simplistic and the other being highly collectivistic.

The tension between the two pictures triggered the question of what actually characterizes relations between companies within an industry, the often-called horizontal relations, participating in the ruleforming processes of the EU.

As being described in the empirical section of the paper, the theoretical dilemma is very well reflected in the practice of EU rulesetting. The consequence of the dilemma does in practice often lead to cooperative and conflicting horizontal relations in parallel. Parallel action is an effect of the tensions! In the following, I will look into what characterizes these parallel relations.

Cooperation, conflict and competition

The association for electricity producing companies in the EU - Eurelectric - represents a highly structured and stable form of organized cooperation. The form of cooperation the structure of this “organization of organizations” represents may be characterized as *formal* relationship. Reflecting the descriptive and prescriptive model of the organization, Eurelectric presents a formal structure based on hierarchy, identity and rationality. Thereby it “exists”, seemingly in a planned and managed manner (cf. Easton & Araujo 1992). In order to preserve its legitimacy and possibility to gain a hearing from the EU institutions Eurelectric has to present distinct and nuanced opinions. In total, conflicting opinions within the formal cooperation must not be seen by the outside world.

The problem in the work of this formalized cooperation is that the members of Eurelectric are subjects to the same norms. They too, have to have clear preferences derived from their identities, act according to norms of rationality etc. If no member disagrees with a specific opinion there would not be any problem. The formal cooperation may in such (rare) cases lead to that about the same message is spread to governments and authorities in the EU states. But when members have, or successively construct, different opinions of what is best for their own businesses from a regulative point of view, the tensions become obvious. The described dilemma often, but not always, leads to different forms of competitive or conflicting activities.

When conflicting preferences exist, members of Eurelectric (i.e. the national industry associations) often try to handle the dilemma by forming *informal* cooperation in connection to the work of Eurelectric. Such informal cooperation is mostly limited to specific regulative issues, consequently more limited in time than the formal cooperation of Eurelectric. In the work of Eurelectric, informal alliances between members of the same opinion may be kept quiet as it is said to be of help when competing with competitors or national industries with other interests. Unlike formal horizontal relations, informal relations are in other words seldom presented to others.

Representatives of different national industries have varying formal positions in the hierarchical structure of Eurelectric. Consequently they also have different possibilities to represent the EU industry in e.g. the advisory committees of the Commission, formulate letters etc. Further, employees in the secretariat are also said to sometimes have a slightly “better understanding” of the problems of their fellow countrymen. Actual or forecasted conflicts of opinions within Eurelectric may lead to members using their formal positions and informal relations to present Eurelectric positions more or less adjusted to their own opinions. Such informal competition may gain certain members without de-legitimizing Eurelectric. Members with less important positions etc are however out-manoeuvred. Following the reasoning of Easton & Araujo (1992): if such activities in ruleforming processes are performed to deliberately harm a competitor, the horizontal relations shift from being competitive to being conflicting. Either competitive or conflicting, the horizontal relation is here indirect as it affects other members via a third part of mutual interest, i.e. the EU institutions¹¹.

¹¹ The triad of supplier, customer and competitor stands in the hearth of the business network analysis. Using the notion horizontal for relations between competitors consequently demands some sort of vertical relations, in this literature represented by buyer-seller relationships. In the practice of rulesetting, relations between competitors (horizontal relations) may be seen in contrast to the direct, or indirect,

As focused tensions often lead to informal competition or conflict within the formal cooperation of Eurelectric, cooperative relations *outside* Eurelectric can be used in response. E.g. a national industry may use its relations to the government and the authorities in the member state to put forward preferences that were being highly compromised or out-manoeuvred inside Eurelectric. Such national relations most often represent competition or indirect conflict as they are parallel strivings directed towards the formal regulative decisions of the EU institutions.

The sub-national industry associations, e.g. Swedelec, represent a part of the formal cooperation. Swedelec functions as a forum for constructing and getting support for preferences. In relation to the construction of formal Eurelectric opinions, it is said to be considerably less difficult to reach a consensus of what to think as a Swedish industry. Also in the relations between public and private organizations in Sweden, participants generally agree on what to think without severe discussions. In addition, the ministry of industry also explicitly functions as an agent for different Swedish industries in EU ruleforming processes, as they ask the industry for help with constructing “Swedish” opinions.

Altogether, national relations between authorities, ministry departments and the industry mostly represent informal competitive or conflicting relations to the formal cooperation of Eurelectric. National relations have however the potential of being a coordinated way to spread opinions if all the member industries of Eurelectric would have about the same opinions. Somewhere in between, informal alliances between specific national industries of about the same preferences may lead to that about the same messages are spread to governments and authorities in only some of the EU states.

Another consequence of conflicting opinions in the formal cooperation of Eurelectric may be that companies try to spread specific opinion through their own representative offices in Brussels. Using the employees and relations built up around these offices, informal meetings with employees in the Commission, politicians in the European Parliament etc may be organized. Representing a single company instead of the EU industry is however said to give less “weight” to a position. As the relations on the national level, the competitive or indirect conflicting horizontal relations through offices in Brussels often temporarily exist in parallel to the cooperation in Eurelectric. Further, regulative issues where significant differences in opinions exist go on in parallel to issues with more of consensus or acceptance between representatives in the hierarchy of Eurelectric.

Conclusion

In this paper, the dilemma of individualistic norms and collective structures has been the common theme as horizontal relations have been studied. The tension between these two conflicting social constructions has been argued to lead to considerable difficulties for companies participating in the ruleforming of the EU. Differently put, the

relations to the formal decision-maker (vertical relations). Unlike vertical relations in markets, regulative processes are however (hopefully) not characterized by economic transactions.

initial presented dilemma represents one contributory explanation of *why* participation in the EU ruleforming tends to be much more difficult in practice than in general texts about lobbying. Conflicting general ideas (institutions) of how things are and should be complicate the participation for regulated organizations. The results of the report point at an interesting and mostly neglected theoretical way of understanding complex processes, such as the forming of EU directives, in practice: the combination of institutional organization theory (cf. Scott 1995) with theories of decision making (cf. March 1988).

Trying to handle the difficulties, I have pointed at several forms of cooperative and competitive/conflicting horizontal relations emanating from the over-arching inconsistency. Considerable opposition in the EU regulative processes actually seems to origin within the industry (or between industries) instead of between the regulated industry and the formal regulator. From the European industrial association's point of view, conflicts between member companies are tried to be handled in the internal hierarchy. From the member-companies' point of view, action *in parallel* to activities and decisions in the European industrial association represents an important way of handling intra-industrial conflicts¹².

A criticism of the analysis of "traditional" business networks has been that it generally tends to see relations between competitors as either cooperative or conflicting. Instead it has been argued that different kinds of cooperative and conflicting relations may be, and even ought to be, parallel activities in relations between companies within an industry (Bengtsson & Koch 1998). Although "non-traditional" business relations have been focused in this paper, an over all result has been the parallel cooperative and competing/conflicting relations between participating companies. Consequently, well established notions for understanding companies behavior on markets - such as competition and cooperation - has in this report been argued to shed some light also on companies behavior in non-traditional business settings. However, an elaboration of such notions does not seem to be enough for a more profound understanding. Other perspectives seem to be needed, at least as a complement, in order to explain and better understand the uncertainties, conflicts and limitations to actions that characterize the participation of companies in the construction of their own regulation.

¹² There are others that have presented "parallism" as a way of handling conflicts in decision-making processes. E.g. in the study of when Stockholm municipality was to buy a combustion plant from the company ASEA, Bengt Jacobsson (1987) found that the overall process consisted of three different processes going on in parallel. These processes were tried to be kept de-coupled to prevent conflicting arguments from meeting. By trying to disconnect the different processes certain participators were trying to "close" the overall process, i.e. not complicating it in order to reach a formal favorable decision.

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