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Master's Thesis:

EU Corporate Public Affairs 2.0 – Revisiting the Multi-Agent Approach

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ABSTRACT (EN) Relying on the principal-agent theory as conceptual framework, this thesis examines the company-internal roles and functions of multiple agents in EU corporate public affairs. A qualitative study was held in the form of semi-structured interviews with four public affairs experts from companies within the Austrian infrastructure industry. Supporting previous scholarship, the thesis shows that companies use multiple public affairs agents to increase their potential of influencing EU policy- and decision-making processes. The thesis further contributes two novel findings: First, it shows that in-house public affairs agents nowadays fulfil an extensive *coordinating function*, thereby taking on a central role in EU corporate public affairs. Second, it additionally shows that with the advancing professionalisation and expansion of in-house public affairs, external public affairs agents tend to be increasingly *substituted*. Furthermore, the thesis reveals an increasing significance of ad-hoc platform-like alliances as potentially new public affairs agents.

ABSTRACT (DE) Diese Master Thesis untersucht auf Grundlage der Principal-Agent-Theorie die unternehmensinternen Rollen und Funktionen von multiplen Agenten in EU Corporate Public Affairs. Anhand einer qualitativen Studie wurden semi-strukturierte Interviews mit vier Public-Affairs-Experten aus Unternehmen der österreichischen Infrastrukturbranche durchgeführt. Die Master Thesis bestätigt bestehende Literatur, dass Unternehmen multiple Public-Affairs-Agenten einsetzen, um ihr Einflusspotenzial auf Politikgestaltungs- und Entscheidungsprozessen in der EU zu erhöhen. Darüber hinaus trägt sie zur bestehenden Literatur in den folgenden zwei Aspekten bei: Zum einen zeigt sie, dass *In-House-Public-Affairs-Agenten* heutzutage eine *weitreichende koordinierende Funktion* erfüllen und damit eine zentrale Rolle in EU Corporate Public Affairs einnehmen. Zum anderen zeigt sie, dass mit der fortschreitenden Professionalisierung und Ausweitung der unternehmensinternen Public Affairs externe Public-Affairs-Agenten tendenziell zunehmend *substituiert* werden. Darüber hinaus weist die Thesis auf eine zunehmende Bedeutung von ad-hoc plattformartigen Allianzen als potenziell neue Public-Affairs-Agenten hin.

KEY WORDS Public Affairs; Influencing Policy- and Decision-Making Processes; European Union; Multiple Public Affairs Agents; Principal-Agent Theory.

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LIST OF ABBREVIATIONS

EC	European Commission
ECJ	European Court of Justice
EP	European Parliament
ESA	European Single Act
EU	European Union
MEP	Member of European Parliament
PermReps	Permanent Representations
U.S.	United States

1. Introduction

Since the early beginnings of institutionalised European integration—from the European Communities to today’s European Union (EU)—companies across Europe have been seeking close ties with European decision-making bodies and their representatives. Commonly referred to as ‘interest representation’ or ‘lobbying’, companies are eager to influence existing and future policies and legislation in order to establish a fertile environment to operate their businesses in. In turn, representatives of the EU institutions, including elected politicians, are highly dependent on information such as technical knowledge and expertise provided by companies in order to draft effective EU legislation, making interest representation an act of reciprocity with benefits for both sides. However, the way companies interact with EU institutions has undergone major transformations over the past decades, driven by both institutional as well as socio-political changes. For long time, corporate interests in the EU have almost exclusively been represented collectively in form of associations. However, aiming to adapt to the transformed institutional as well as socio-political environment, companies started to additionally embrace new, non-collective lobbying strategies that address both politics and the public, nowadays generally known as ‘public affairs’. In order to facilitate these new trends of corporate interest representation, companies started to establish in-house public affairs departments and a new profession of consultants specialised in public affairs emerged. In recent years, a general pattern appears to be evident: Companies use all three types of so-called public affairs agents—in-house public affairs agents, external public affairs agents, and associations—to influence EU policy and decision-making processes. While a large body of literature exists looking at corporate influence in the EU from a political science perspective, only little is known about the company-internal roles and functions of multiple agents in EU corporate public affairs. Therefore, this thesis aims to answer the following research question: *Why do companies use multiple public affairs agents to influence policy- and decision-making processes in the European Union?*

In a previous contribution, Michalowitz addressed the issue, finding that “a division of labour seems to prevail in the relationship between agents instead of competition between agents” (2004, 143) and that “their essential purposes differ, which does not render one of these channel types obsolete” (Ibid., 144). She concludes that “lobbying actors seem to indeed expect an improvement of their negotiating position from the employment of agents,

and from the employment of multiple agents” (Ibid., 146). However, several crucial issues remain undiscovered, particularly in the face of contemporary developments. Relying on the principal-agent theory as conceptual framework, this thesis revisits the issue of multiple agents in EU corporate public affairs, aiming to contribute to existing literature in particularly two aspects: First, it seeks to provide knowledge on the company-internal perspective on EU corporate public affairs, while Michalowitz’ multifaceted contribution did not exclusively focus on companies, thus potentially undermining important company-internal aspects. Second, the vast institutional as well as socio-political changes in the EU over the past 15 years give rise to the assumption that companies have adapted their public affairs strategies over the years. Thus, the thesis additionally aims to examine the issue of multiple public affairs agents in the light of the year 2020. In order to answer the research question, empiric findings were collected within a qualitative study. The study was held in the form of semi-structured interviews with four public affairs experts from companies within the Austrian infrastructure industry. Similar to Michalowitz (2004), the thesis concludes that companies use multiple public affairs agents to increase their potential of influencing EU policy- and decision-making processes. Furthermore, it contributes to existing literature with two distinct findings: First, the thesis shows that in-house public affairs agents nowadays fulfil an extensive *coordinating function*: On one hand, they fulfil company-internally the function of coordinating the company’s public affairs strategies with both the management board as well as the technical departments. On the other hand, it is also in their responsibility to coordinate activities with the other public affairs agents—external consultants and associations. Second, the thesis further shows that with the advancing professionalisation and expansion of in-house public affairs, external public affairs agents tend to be increasingly *substituted*. Nevertheless, as the thesis additionally reveals the growing relevance of ad-hoc platform-like alliances as a potential new type of public affairs agent, the use of multiple public affairs agents remains an essential part of EU corporate public affairs.

The remainder of this thesis proceeds as follows: Drawing on existing literature, chapter two and three provide a comprehensive overview on the main two concepts entailed in the research question. More precisely, chapter two illustrates the transition from ‘traditional’ interest representation to ‘modern’ public affairs, before it discusses the application of the term ‘public affairs’ in existing research. Moreover, chapter two further focuses on each of the three public affairs agents—in-house public affairs agents, external public affairs agents,

and associations. Chapter three continues by examining the concept of ‘influencing EU policy- and decision-making processes’. While discussing the conceptualisation of influence in interest group research, it subsequently elaborates on interest group interaction with the three main EU institutions European Commission (EC), European Parliament (EP), and the Council of the European Union. The following chapter four provides an overview over the thesis’ conceptual framework, while elaborating on the principal-agent theory in general as well as on its application in public affairs research. Subsequently, chapter five demonstrates the thesis’ methodology, illustrating the design of the qualitative study and discussing both its scope as well as potential limitations. Chapter six then presents the results collected in the study in addition to the deduction of a number of valuable findings. Ultimately, chapter seven draws a conclusion and provides suggestions for further research.

2. EU Corporate Public Affairs

2.1. From ‘Traditional’ Interest Representation to ‘Modern’ Public Affairs

The transition from ‘traditional’ interest representation to ‘modern’ public affairs in the EU has gained considerable scholarly attention from the early 1990s onwards, aiming to identify the reasons of these incisive developments. An extensive literature review yields two common approaches to the question with institutional changes in the EU as explanations on one hand and socio-political changes on the other. Among the institutional changes that led to the transformation of European interest representation, scholars highlight particularly two events in the process of European integration: the European Single Act (ESA) in 1987 and the Lisbon Treaty in 2007. As Joos (2014) similarly to Plehwe (2015, 127) points out, “interest representation [...] can only take place within the framework set by politics” (Joos 2014, 31), meaning that the organisational chart of each political systems defines where interest representation can set its starting points (Ibid.). Until the 1980s, European interest representation has been mainly conducted by national associations. However, with the ESA leading to the establishment of the European Single Market in 1993, marking a new level of European integration, Brussels became the epicentre of European interest politics. To adapt to this new political environment, associations started to organise themselves supra-nationally. In addition, individual companies entered the playing field directly with their own lobbyists or by cooperating

transnationally with other companies from the same sector, constituting serious competition to the traditional form of associations (Coen 1997, 92, 2009, 146; Wilts and Quittkat 2003, 384; Plehwe 2015, 121,125; Speth 2015, 157). The following EU treaties—Maastricht 1992, Amsterdam 1997 and Nizza 2001—as well as the EU’s enlargements in 1995, 2004 and 2007 led to further ‘communitarisation’ of European politics, thereby also significantly increasing the number of interest groups acting in Brussels (van Schendelen 2012, 40; Plehwe 2015, 121, 129). Particularly with the Lisbon Treaty in 2007 the transformation of European interest representation gained new momentum. By creating a “new balance of power” (van Schendelen 2012, 40) within the EU system, the Lisbon Treaty constituted far reaching reforms of the EU’s institutions and their decision-making processes. The political reforms that affected the functioning of interest representation most decisively were on one side the shift from unanimity to qualified majority voting in the Council of the European Union and on the other side the empowerment of the European Parliament under the Ordinary Legislative Procedure (Plehwe 2015, 125; Joos 2014, 32, 34, 37; van Schendelen 2012, 40). As Joos emphasises, “contact persons, required networks, applicable procedures and instruments have changed fundamentally” (2014, 31), therefore arguing that “process competence” in the ever more complex EU system became with the Lisbon Treaty equally important to successful interest representation as “content competence” (Ibid.).

In addition to these institutional changes, also the socio-political environment in the EU underwent major transformations, contributing further to the emergence of a new type of European interest representation. While in the past the ‘power of organisation’ was dominating the functioning of European interest representation, according to Hoffmann, Steiner and Vogel (2007, 427) as well as Zimmer and Speth (2015a, 12), today the ‘power of communication’ is dominating. On one hand, scholars attribute this to a general trend of social individualisation and pluralisation of particular interests in the past decades, making it increasingly difficult for associations to speak with one voice and thus diminishing their traditional power. Therefore, ad-hoc coalitions often have to be formed, requiring persuasion of relevant stakeholders through enormous communicational efforts (Hoffmann, Steiner, and Vogel 2007, 426, 427). On the other hand, scholars widely agree on the vast effect of mass media—particularly social media—on European interest representation. Phrases like “media society” (Hoffmann, Steiner, and Vogel 2007, 425) or “medialisation of society and politics” (Marcinkowski 2015, 89) indicate that the media

plays a significant role in today's society and its politics and therefore also in interest representation. Marcinowski argues that the media has rendered "public attention to a guiding social value and a generally applicable resource" (2015, 89), thereby making politics increasingly responsive to public opinion (Ibid.). Titley formulates this even more drastically, stating that "politicians increasingly tend to follow rather than lead public opinion" (2003, 84). As a consequence, also interest representation embraces new communicational strategies addressing the public in order to attain desired political outcomes (Hoffmann, Steiner, and Vogel 2007, 425; Marcinkowski 2015, 89). In this regard, Hoffmann, Steiner and Vogel (2007) find in their contribution that particularly external consultancies and to a lesser extent also companies embody and advance public affairs as new type of interest representation, while associations continue to represent the traditional type. In sum, similar to European society and its politics, also European interest representation has significantly changed over the past decades. The large number of actors in the field of interest politics as well as the general diversity of interests in today's society make it particularly difficult to understand the different processes in the context of corporate interest representation. Therefore, the following sections discuss the concept of 'public affairs' in its role as present-day form of interest representation, as well as the different actors involved with corporate interest representation in the EU.

2.2. Public Affairs

In the field of corporate interest representation, several definitions of public affairs can be found. In general terms, public affairs aims to shape a company's socio-political environment in a way that it is beneficial to the company's business. In this sense, the objective of public affairs is two-fold: On one hand, the aim is to support policy and legislative initiatives that are favourable to the company, or to either change or prevent political initiatives that would have negative repercussions on the company. On the other hand, public affairs seeks to create an atmosphere within the broader public or certain groups of society that is supportive of the company's business. While in the Anglo-Saxon area, particularly in the United States, practice and research on public affairs have a tradition dating back more than half a century, both practical use as well as scholarly discussion of the term are comparably young phenomena in Europe. Consequently, the meaning and the application of the term public affairs has to be considered in light of the respective geographic location and socio-political environment.

From the 1950s onwards, scholars in the United States (U.S.) have developed the field of study in parallel to the increasing significance of public affairs in practice (van Schendelen 2013, 65). In 2001, a team of U.S. American scholars published two chronological reference lists of ‘corporate public affairs research’, one covering the years 1958-1985 (Griffin, Fleisher, and Boddewyn 2001b) and the other one the period of 1985-2000 (Griffin, Fleisher, and Boddewyn 2001a). Both, the scholars’ choice of topics as well as the lists themselves reveal valuable insights of the research on public affairs: First, with regards to topics, the scholars accumulated not only literature specifically on public affairs, but also on “political strategy, issues management, international public affairs, community relations and political involvement activities (including political action committees, lobbying, grassroots etc)” (Griffin, Fleisher, and Boddewyn 2001a, 10), aiming to reflect “the depth and breadth required in the ‘art’ of public affairs” (Ibid.). It can be argued that this broad choice of topics shows that in American scholarship the term public affairs is understood as an ‘umbrella-term’ for a variety of fields at the nexus between the corporate sector and politics. Second, the lists reveal that the term public affairs itself has been applied in research since the 1950s, however in a rather occasional manner. While the use of the term became more frequent in the 1980s, a significant amount of research applying and discussing the term has been conducted from the mid-1990s onwards. At this time, “corporate public affairs has moved from a tactical, primarily ad hoc arrangement to a strategic, knowledge management function that adds value and creates competitive advantage” (Griffin, Fleisher, and Boddewyn 2001a, 11). In addition, the lists show that until 2000, public affairs has been the focus of studies almost exclusively of scholars and publishers within and regarding the Anglo-Saxon area, including only a few research projects on public affairs in mainland Europe. This reflects what is also evident through an extensive literature review: Brought to Europe via the United Kingdom—where for example the *Journal of Public Affairs* was launched in 2001—European scholarship increasingly applied the term public affairs from the early 2000s onwards (van Schendelen 2013, 66).

Similar to its Anglo-Saxon counterpart, research on interest group influence, in particular on corporate influence, has a long tradition within scholarship in mainland Europe. Despite the observation that corporate practice in Europe has started from the early 2000s onwards to apply the term public affairs—or similar terms like government affairs and EU affairs—to describe their corporate political activities, it appears that the term which is still predominantly applied for these activities in literature is *lobbying*. For example,

publications like Van Schendelen's (2013) "The Art of Lobbying the EU", Speth and Zimmer's (2015) "Lobby Work" as well as Dialer and Richter's (2014) "Lobbying in der Europäischen Union" support this assumption. Nevertheless, significant scholarly contributions exist which apply the term public affairs in the European context, looking at the topic from the perspectives of political science (such as Priddat and Speth 2007; van Schendelen 2012; Antonucci and Scocchi 2018), communication science (such as Meckel and Schmid 2008) as well as business management (such as Siedentopp 2008). In addition, a wide range of this literature has a rather descriptive than theory-based nature, including manuals and handbooks aiming to provide practice-oriented advice for corporate actors in the European political field (such as Althaus, Geffken, and Rawe 2005; van Schendelen 2013; Falk et al. 2019). Given this variety of literature on public affairs in Europe, scholars provide various definitions of the term as well as make attempts to delineate public affairs from lobbying. In this regard, there is broad agreement that the application of the term public affairs in corporate practice is based on reasons on the 'normative level' (Filzmaier and Fähnrich 2014, 1186): Since lobbying has a rather negative connotation in European public opinion and oftentimes tends to be perceived in the light of corruption, public affairs is applied as a positive, 'unburdened' replacement instead of lobbying (Radunski 2006, 316; Kleinfeld, Willems, and Zimmer 2007, 20; Filzmaier and Fähnrich 2014, 1186; Michalowitz 2019, 506). However, scholars also widely agree that there is a second, more significant reason why public affairs is nowadays commonly used in corporate practice: Kleinfeld, Willems and Zimmer understand public affairs as an 'expansion' of lobbying (2007, 20) and according to Radunski, public affairs is the "roof" of a number of corporate activities at the intersection of politics, business and the public, *including* lobbying (2006, 315). It can be argued that in essence, public affairs and lobbying pursue the same ultimate target, which is to instrumentalise both pressure as well as influence in order to shape political decisions in a way that they are beneficial for the respective company (Titley 2003, 83). However, while lobbying comprises activities which directly address political decision-makers, public affairs adds the notion of additionally targeting public stakeholders in order to achieve a desired political outcome (Glaab and Metz 2006, 167). This is reflected in the definition of public affairs by Althaus, Geffken and Raw, who state that "public affairs is the representation and mediation of company, employee and member interests in the political context, directly through lobbying (government relations), i.e. communication with and advice to decision-makers, and indirectly via opinion leaders and the media" (2005, 262). A number of scholars support the findings of Althaus et al. by providing

related definitions, such as Schlichting who characterises the two components—direct and indirect interest representation and mediation—as the “public and non-public path of public affairs” (2014, 404). In a similar approach, Priddat and Speth introduce the key word “multi-stakeholder-strategy” (2007, 7), meaning that by applying public affairs, companies do not only focus on necessary, internal relationships, but also address critical external voices in society (Ibid.). Thereby, they involve those in their communication who potentially interfere with the companies’ goals, which should ultimately help to “stabilise the brand” (Ibid, 8). In sum, this inclusion of multiple stakeholders—or the shift from lobbying to public affairs—can be described as an “expansion of the 'playing field' of interest politics” (Kleinfeld, Willems, and Zimmer 2007, 20). Moreover, while these scholars in their definitions focus on the addressees of corporate activities, others explain the term from the perspective of business management. According to Köppl, public affairs is the “management function that analyses and interprets the political environment of a company and helps to shape it in the best possible way to achieve the company's goals” (2008, 196). Furthermore, Siedentopp defines public affairs as the “influencing variable in business management for the achievement of competitive advantage” (2008, 1). Finally, some scholars emphasise the communicational dimension of public affairs. Speth understands “influencing politics and political decisions as communicative acts” (2015, 156), while Hoffmann, Steiner and Vogel define public affairs as “comprehensive political communication management of organisations” (2007, 428) that comprises “situation-specific, strategic combination of public and non-public communication measures” (Ibid.).

In sum, it can be argued that despite the various approaches to the topic, consensus exists on the general definition of public affairs in European literature. Nevertheless, considering the small amount of recent scientific publications applying the term public affairs in EU context, it appears that a large part of European scholarship in the field of corporate interest representation still prefers the term lobbying. This constitutes certain challenges to scholars, as particularly the interchangeable application of public affairs and lobbying in literature pose difficulties in the research process. In order to help to overcome these limitations, this thesis puts the term public affairs at its focus and applies it in consistent manner throughout the different parts of the project.

2.3. Public Affairs Agents

Companies operating in the EU have become increasingly receptive to the concept of public affairs over the past twenty years. The EU's institutional and procedural complexity as well as the enormous variety of particular interests in the EU have urged all kinds of organisations, including companies, to professionalise their interest representation (Linder 2014, 48–49). Depending on factors such as company-size, industry or national background, differences in the way companies organise and manage their public affairs can be observed. However, a general trend appears to be evident, which has been highlighted by existing scholarship: Companies conduct their public affairs through three distinct types of public affairs agents – 1) *in-house public affairs agents* (i.e. company-internal public affairs departments or liaison offices in Brussels), 2) *external public affairs agents* (i.e. public affairs consultancies, communication agencies or commercial lobbyists), and 3) *associations* (i.e. business associations on national or European level) (Michalowitz 2005, 2007; Hoffmann, Steiner, and Vogel 2007; Priddat and Speth 2007; Filzmaier and Fährnich 2014).

On one hand, these agents can be categorised based on their degree of collectivity. As members of associations, companies are embedded in organisations that aim to represent the shared interests of their members through collective action. In contrast, in-house public affairs agents as well as external public affairs agents constitute non-collective agents, as they pursue companies' individual interests. On the other hand, the three public affairs agents can also be classified based on their relationships to the companies. In this regard, in-house public affairs agents are those with the closest relationship to the companies, as they are directly integrated in companies' organisational structures by employer-employee relationships. On the opposite, external public affairs agents and associations are connected to companies based on external contracts. However, between companies and external public affairs agents exist client-contractor relationships, whereas companies are part of associations through paid memberships.

2.3.1. In-House Public Affairs Agents

The generally growing importance of individual interest representation has caused many companies to re-think the role of public affairs within their own organisations. As a consequence, particularly multinational but also national companies have established

entities within their organisations that fulfil the function as “connecting links to the political system” (Filzmaier and Fähnrich 2014, 1193). However, the particular arrangements of these entities vary from company to company along different dimensions, such as number and qualification of employees, integration in the organisational structure, or relevance of different political systems. The number of public affairs experts and lobbyists companies employ, as well as the way companies integrate the function of in-house public affairs into their organisational structure, depend on various factors. These include primarily the respective degree of sector regulation as well as the availability of resources (Filzmaier and Fähnrich 2014, 1193). Accordingly, public affairs can either be an independent department or a staff unit directly reporting to the management board, or it belongs to other departments like the communication department or the legal and compliance department (Filzmaier and Fähnrich 2014, 1191). Last, the internal organisation of public affairs also depends on the geographic orientation and the different political systems that are relevant to a company. Thus, some large companies that focus particularly on EU policies and legislature hold liaison offices in Brussels in addition to or instead of local in-house public affairs departments (Filzmaier and Fähnrich 2014, 1192; Michalowitz 2007, 90). Others, instead have their lobbyists represented in Brussels on a ‘fly in and fly out’ basis (Bitonti and Harris 2017, 38). Among the large body of literature that examines companies as individual political actors in the EU system, the topic has gained limited scholarly attention with respect to the company-internal role of public affairs. For example, Siedentopp points out that “in the business management discourse no adequate measuring instrument has been conceptualised and operationalised for the public affairs construct so far” (2008, 263). He contributes to this gap by developing a theoretical construct based on the three dimensions *degree of activity*, *degree of organisation* and *strategic priority* which serve as variables for both the success of public affairs processes as well as of companies’ overall success (Ibid., 105, 107, 108). Another valuable contribution in this context has been brought forward by Cloteau who discusses the role of Brussels-based public affairs employees within their companies. He argues that they have a “double entrepreneurship role” (2018): On the one hand, they represent their companies’ interests in EU politics, thereby playing the role of entrepreneurs when interacting with EU officials. On the other hand, they have to justify their position within their companies since they are “far from the financial logic of the for-profit organisation” (Ibid., 839, 844), thus acting as “entrepreneurs on behalf of the European cause” (Ibid.).

2.3.2. External Public Affairs Agents

In addition to in-house public affairs, many companies also delegate public affairs tasks to external public affairs agents, which constitute the second category of non-collective agents. These include public affairs consultancies, communication agencies and commercial lobbyists (Michalowicz 2007, 73; Filzmaier and Fährnich 2014, 1192), but also business consultancies and law firms (Filzmaier and Fährnich 2014, 1192). Although many of them are based in Brussels (Linder 2014, 49), consultancies focusing on the EU level can also be found across the EU member states to support their clients locally. A clear distinction between the different types of consultancy firms appears to be difficult and depends to a large extent on the self-conception of each firm and on the professions' regulations under the respective legal system. However, some general commonalities that make the different external public affairs agents distinct from the other agents can be identified: First, their profit-seeking business models, second, their low degree of bureaucratic constraints, and third, their expertise in public relations and politics. As service providers, external public affairs agents aim to sell their services to clients, following profit-seeking business models (Speth 2015, 162). Intuitively, this might appear not surprising, as any firm participating in the market acts according to this rationale. Nevertheless, it constitutes a decisive finding, since even though external public affairs agents work at the core of the political playing field, they do not act according to a political logic. Speth points out that "rather, they combine political logic with market elements and political behaviour with corporate strategies" (2015, 162). Moreover, what characterises external public affairs agents is that they are bound to bureaucratic constraints only to limited extent, leaving them with a greater degree of flexibility in reacting to challenges than in-house public affairs agents and associations. In addition, while companies are permanently tied to their in-house public affairs agents and associations, external public affairs agents are usually employed based on mandates that define the specific tasks and period of time (Hoffmann, Steiner, and Vogel 2007, 429). Last, it is inherent to many external public affairs consultancies that they show competence in the field of public relations, as many of such firms have started as public relations agencies (Titley 2003, 84; Hoffmann, Steiner, and Vogel 2007, 429). Also, it appears that the public affairs industry is particularly attractive to individuals with a history in the political field (Speth 2015, 164), an observation often referred to as "revolving door phenomenon" (Cloteau 2018, 845). However, this is subject to strong criticism, as some argue that it creates the risk of conflicts of interests and that with such

behaviour, “ex-officials abuse the know-how, contacts or status acquired through their public sector jobs to provide their new employers or clients with invaluable insights, undue influence and privileged access” (Tansey 2014, 257). Additionally, it is important to note that external public affairs agents do not offer their services only to those actors who want to represent their interests, but also to the ‘addressee side’, including political institutions or public authorities (Speth 2015, 154).

2.3.3. Associations

The third type of public affairs agents are associations, which constitute the traditional collective form of interest representation in the EU. According to the European Commission, “associations typically promote the trade or professional interests of their members” (2020a) and differ in factors such as their particular interests, mobilisation capability, or organisational structure (Michalowitz 2007, 79). Two main categories of associations can be identified at EU level: The first category comprises ‘European umbrella associations’, which consist of national associations in the same sector from across the EU member states (Michalowitz 2007, 79; Plehwe 2015, 125; van Schendelen 2012, 42). Thus, companies are not direct members of these ‘umbrella associations’, but indirectly through their membership in national associations. As outlined previously, until the 1980s, these cooperations of national associations were the dominating form of corporate interest representation at EU level. However, due to the general transformation towards a modern public affairs industry, some associations underwent major changes in their internal negotiation and decision-making procedures to increase their effectiveness and to “become fit for the new conditions in Brussels” (Plehwe 2015, 126). The most decisive change was made with regards to the internal restructuring of memberships, leading to a second, new type of European associations that allows besides national associations also large, individual companies as direct members (Plehwe 2015, 128; van Schendelen 2012, 42; Coen 1997, 97). Apart from these two categories of European associations, some national associations are also independently active in Brussels through liaison offices (Michalowitz 2007, 82). In this regard, Dür and Matteo (2014) present a valuable finding: Their study on the ‘Europeanisation of interest groups’ reveals that among 880 national interest groups from five EU countries, “resource-rich business associations that are active in policy areas with high EU competence exhibit the greatest degree of Europeanisation” (Ibid., 590). Europeanisation, as they define it in this context, corresponds to the degree of political

activities which national interest groups execute in Brussels in relation to their political activities in their home countries (Ibid., 572). Among the large body of literature on associations which scholarship has brought forward over the past decades, one finding is particularly reiterated by scholars, arguably due to its universal applicability to any kind of association: Associations operate in an area of conflict between member logic and influence logic (Hoffmann, Steiner, and Vogel 2007, 429; Michalowitz 2007, 84; Zimmer and Speth 2015b, 36). More precisely, member logic means that associations have to be “indispensable for their members in order to receive sufficient support” (Michalowitz 2007, 84), whereas influence logic means that associations need to have “a sufficient degree of influence on political decisions or individual decision-makers in order to have a good in exchange for their members resources” (Ibid.). Particularly in light of modern public affairs and the newly emerged public affairs agents, it can be argued that mastering these two logics has increased in importance in recent years.

3. Influencing EU Policy- and Decision-Making Processes

After discussing the evolution and definition of EU corporate public affairs as well as the different public affairs agents in previous chapters, this section aims to examine the second important concept entailed in the research question, the issue of influencing EU policy- and decision-making processes. As pointed out previously, public affairs aims to shape a company’s socio-political environment in a way that it is beneficial to the company’s business. In more technical and concrete terms, companies ultimately aim to shape the regulatory framework they operate their businesses in, which means that their main objective is to influence the policy and decision-making processes in policy domains that are crucial to their economic success. While public affairs *per definitionem* comprises both public as well as non-public strategies to attain these goals, evidence from existing literature points towards the finding that in EU interest representation strategies which directly address the EU institutions still prevail over strategies involving the public. In a transatlantic comparison of lobbying strategies in the US and the EU, Woll (2012) argues that the culturally and linguistically heterogeneous EU system makes it highly difficult for interest groups to apply public strategies. In other words, whereas strategies that target public opinion form an integral part of interest representation in the US—such as grassroots campaigns or advocacy via the internet—the absence of a homogeneous European public makes such strategies a rare phenomenon in the EU (Ibid., 205). However at domestic level

in Europe, for example in the case of Germany, scholars have identified corporate public affairs campaigns that aimed to mobilise masses of private individuals in order to bring about desired political outcomes (e.g. Irmisch 2011; Schlichting 2014). Although Irmisch additionally indicates that such strategies are occasionally applied also on EU-level (2011, 82), literature on EU interest representation, including a vast number of recent studies, focuses almost exclusively on direct interactions of interest groups with the EU institutions and their representatives. Consequently, this gives rise to the assumption that today corporate influence on EU policy- and decision-making processes is still dominated by non-public, direct strategies. Thus, the following sections will focus on these strategies, leaving the discussion of strategies involving the European public to future research.

3.1. Conceptualising Interest Group Interaction with EU Institutions

As of May 2020, in total 11,667 registered interest groups can be found on the EU's Transparency Register (European Commission 2020b). However, due to the register's non-obligatory nature, it can be assumed that by far not all groups or individuals who pursue their interests in Brussels are included in this number. Nonetheless, the register gives an idea of the diversity of interest groups as well as about the types of interests which are represented most at EU-level. The great majority of interest groups in Brussels is subsumed under the category "In-house lobbyists and trade/business/professional associations", in short, business interests, whereas the second largest group—accounting for about one fourth—are non-governmental organisations. In addition, inter alia think tanks, academic institutions, religious communities, regional authorities can be found in the register (Ibid.). Consequently, in course of the decades-long study of EU interest representation, the question about how to measure the influence these interest groups have on policy- and decision-making processes has been pivotal to scholars. However, what might appear like a straight-forward causal relationship turns out to be a methodological challenge, as both the EU's complex institutional structure as well as the magnitude of particular, sometimes opposing interests have to be taken into consideration. In a research note, Dür addresses the issue, arguing that "although research on interest group influence in the EU evidently is difficult, the issue of influence is too important to be neglected" (2008, 573). He reviews methods of measuring influence proposed by previous scholarship, finding that "methodological triangulation—the combination of different methods in one study – hence may sometimes resolve problems that cannot be tackled in studies that rely on only one

method” (Ibid., 569). Yet, he concludes that combining methods is not a “panacea” (Ibid., 570), leaving the debate open for further research.

Setting the unrewarding issue of measuring influence aside, Bouwen (2002) brings forward a theoretical framework that appears to be a promising alternative in the study of interest group interaction with the EU institutions, as numerous scholars rely on this approach ever since (Beyers 2004; Michalowitz 2004, 2014, 2019; Coen 2007; Broscheid and Coen 2007; Eising 2007; Quittkat and Kotzian 2011; Chalmers 2011, 2013; De Bruycker 2016). Instead of focusing on *influence* as the key variable, Bouwen introduces the concept of *access* of private interests to public institutions. As defined in a subsequent publication by Eising, *access* “implies either a successful attempt of an interest group to approach the EU institutions or the incorporation of an interest group into EU policy-making by these institutions” (2007, 386). Putting the concept of *access* into relation with the concept of *influence*, Bouwen argues that “access does not necessarily mean influence” (2002, 366), but “gaining access to the EU institutions is, however, a *conditio sine qua non* to exercise influence in the EU legislative process” (Ibid.). He further suggests that interest representation is not a “unidirectional activity of private actors vis-à-vis the EU institutions” (Ibid., 368), but the relationship between interest groups and the EU institutions is based on exchange. Thereby, interest groups provide the EU institutions with information that is critical for their functioning, whereas the institutions grant interest groups *access* in return. Generally defined as access goods (Ibid., 369), scholarship differentiates between distinct types of information that interest groups supply and the EU institutions demand, whereby “the criticality of an access good for the functioning of an EU institution determines the degree of access that the institution will grant to the private interest representatives” (Ibid., 370). The literature review yields particularly two general types of access goods: Technical information and political information. Technical information includes sector-specific expertise and technical know-how from the market which is “indispensable in developing effective EU legislation in a particular policy area” (Ibid., 369). In contrast, political information includes information provided by interest groups on sector-specific or domestic interests and preferences, which helps policy-makers to assess the levels of acceptability or the degree of support for decisions within relevant groups in society (Michalowitz 2014; Kotzian and Quittkat 2014; De Bruycker 2016).

3.2. Managing the Policy-Cycle

As several scholars have shown, informational needs vary greatly among the EU institutions, depending on their respective roles in EU policy- and decision-making as well as on the respective policy area at stake (Bouwen 2002; Beyers 2004; Marshall 2010; Chalmers 2013). In addition, the highly fragmented institutional set-up, the multi-layered policy- and decision-making processes as well as the various formal and informal institutional rules and procedures provide interest groups with multiple points of access in the EU system (Klüver 2013, 1; Klüver, Braun, and Beyers 2015, 448). Hence, interest groups engage in so-called “venue shopping”, i.e. the search for the best access point to promote one’s interests (Coen 2007, 337; Rödlach-Rupprechter 2014, 145), which requires detailed knowledge of the policy cycle, or “process competence” (2014, 31), as Joos describes it. In sum, interest group interaction with the EU institutions cannot be regarded as one unified practice. Instead, it has to be discussed separately in the light of each institution, considering their respective competences throughout the policy cycle.

3.2.1. European Commission

With its exclusive competence to initiate legislation, the European Commission carries out the important function as agenda-setter in the EU: It is for the Commission to determine which legislative proposal shall be passed on to the European Parliament and the Council, thereby equipping the Commission with great political power right at the beginning of the policy cycle (Klüver 2013, 20, 156). According to Bouwen, “it is common knowledge among lobbyists that as long as no formal documents are produced during the policy formulation stage, changes to the legislative proposals can be made much more easily” (2009, 20). This is supported by Klüver who found in her study that effects of interest group activities are “considerably larger during the policy formulation than during the decision-making stage” (2013, 201), consequently stating that one is “well-advised to engage in lobbying activities as early as possible in order to have an impact on policy outcomes” (Ibid.). Thus, the Commission-led policy formulation stage in which the legislative proposals are drafted is the primary focus of interest group activity, as scholars like Coen (2007, 335) argue. However, it is not only the Commissions’ decisive role in the policy cycle that makes it such an attractive venue for interest groups, or in other words, induces interest groups to seek access. Also, vice-versa, the Commission itself strongly promotes the involvement of various interests in policy-making processes, particularly since the early

2000s when the Commission began to increasingly expand and intensify interactions with interest groups (Kotzian and Quittkat 2014, 73). Today, the Commission not only publishes its annual work programme, making the legislative process more transparent and foreseeable (Linder 2014, 50). It also provides for numerous consultation mechanisms that grants private interests access and enables them to participate in the policy formulation stage, with instruments such as expert groups, policy-forums with restricted access for stakeholders, or conferences and online consultation open for the wider public (Quittkat and Kotzian 2011, 402; Klüver 2013, 155–56). The reasons for the establishment of such a large-scale consultation regime are twofold: On one hand, as the EU's technocratic institution responsible to draft new, oftentimes highly complex legislation, the Commission has great demand for expert knowledge and technical expertise (Beyers 2004, 218; Chalmers 2013, 41). However, the Commission itself does not have the necessary resources and staff, thereby depending to a great extent on external sources (Bouwen 2009, 20). Thus, by giving them access to a variety of consultation mechanisms, interest groups are able contribute valuable information such as arguments and counter-arguments, facts and data to the policy-making process (Rödlach-Rupprechter 2014, 152). Consequently, the Commission is capable to draft effective legislation based on various interests, while “the stakeholders get a fair chance to put some footprint on the pre-draft” (van Schendelen 2013, 96). Moreover, Broscheid and Coen (2007) argue that the Commission's consultation regime also increases the quality of inputs: The possibility to grant interest groups privileged access to restricted consultative formats equips the Commission with a reward and punishment instrument, whereby interest groups which continuously provide useful, informative inputs are more likely to be regularly consulted (Ibid., 347). On the other hand, promoting interest group participation in policy-making also helps the Commission to increase its democratic legitimacy. As an executive body with great responsibilities in the legislative process, which is however, not democratically elected, the Commission is permanently confronted with issues of democratic legitimacy (Broscheid and Coen 2007, 356). Therefore, inviting various actors of society to participate in consultations helps to increase the “legitimacy of its actions” (Bouwen 2009, 30) and contributes to higher acceptance of decisions on EU-level among the constituency (Quittkat and Kotzian 2011, 402; Kotzian and Quittkat 2014, 77).

3.2.2. European Parliament

Particularly since the 2009 Lisbon Treaty when the European Parliament was put on an equal footing with the Council in terms of EU legislation, interest groups started to perceive the Parliament as an attractive venue for interest representation more than ever before (Griesser 2014, 62; Kluger Rasmussen 2015, 365). According to Marshall, interest groups address actors within the European Parliament “irrespective of whether organised interests were a winner or a loser at the Commission stage” (2010, 559): If they were successful in having their interests reflected in the Commission’s legislative proposal, they will aim to defend it in the Parliament. In contrast, if they were not able to assert their influence at the Commission, they will instead focus on regaining ground by advocating for amendments to the proposal that are in line with their interests (Ibid., 559). Either way, also the interactions between interest groups and the European Parliament are based on exchange, as proposed by multiple scholars. However, as for example Bouwen argues, in contrast to the Commission, the Parliament’s “demand for expert knowledge is rather limited” (2002, 380). Although some actors in the Parliament still need some technical information, particularly when amending a legislative proposal or giving well-elaborated speeches, the Members of European Parliament (MEPs) as elected representatives are primarily interested in political information (Beyers 2004, 219; Lehmann 2009, 52). At the core of European party politics, MEPs are eager to effectively represent their constituency and ultimately to get re-elected. Therefore, Lehmann suggests that interest groups need to embrace “non-technical approaches, combined with an acute sense for regional or even local political priorities” (2009, 40) if they seek to gain access and influence towards MEPs. In addition, “personal acquaintance, nationality, or political affiliation might influence the accessibility and openness of parliamentarians” (Ibid., 52). However, although party politics play an important role in interest group activities in the Parliament, the most decisive role remains to know the legislative process, thereby making sure to address the right actors. As van Schendelen states, “the most important people are not those who sign the decision, but those who write the text” (2013, 88). In case of the Parliament, the MEP of primary importance is the one appointed as rapporteur who is responsible for drafting the Parliament’s report on the legislative proposal, as well as those MEPs who have a seat in the respective parliamentary committee that discusses and possibly amends the proposal (Lehmann 2009, 43–44; Klüver 2013, 181, 454).

3.2.3. Council of the European Union

In the Council of the European Union—also, the Council of Ministers—the national ministers meet in nine different configurations (Hayes-Renshaw 2009, 71), representing their respective member state's position in the EU's decision-making within a certain policy field. As a consequence of this particular institutional role, two main differences that affect interest representation at the Council can be derived in comparison to the Commission and the Parliament: First, the access good Council members demand differs from those required by the Commission and MEPs. More precisely, as elected politicians, it is the ministers' democratic responsibility—and arguably their own objective in view of future elections—to defend the respective national interest, or the “domestic encompassing interest”, (2002, 369) on EU-level, as called by Bouwen. Thus, as Hayes-Renshaw argues, “each member of the Council engages in consultation with those (usually domestic) groups that can provide information about the national interest in the area involved” (2009, 78). For interest groups with particular, private interests, the Council is, therefore, arguably difficult to access, as they are oftentimes not able to provide the desired access good. Second, while the playing field of interest group interaction with the Commission and the Parliament is mainly on site in Brussels, this is different in the case of the Council. Although national governments are represented in Brussels through their Permanent Representations (PermReps), they are no promising venues for interest representatives to assert influence, as the diplomats and government officials working in the PermReps are bound to the instructions from their respective capital (Rödlach-Rupprechter 2014, 153). Nevertheless, both Dondi (2014) and Rödlach-Rupprechter (2014) emphasise that communicating with PermRep officials is still useful for interest groups, as it keeps them informed about the progress in negotiations or provides them with important strategic information about which member states block or promote certain policies (Dondi 2014, 107; Rödlach-Rupprechter 2014, 153–54). Hence, interest representation targeting the Council rather takes place via the national route, aiming to interact with those experts who are responsible for drafting the national positions in the respective ministries (Rödlach-Rupprechter 2014, 153). In this regard, the variety of institutional differences among the EU member states has to be taken into account, as well as the observation that “the Council is in a state of constant flux” (Hayes-Renshaw 2009, 74), as “the members of any particular Council configuration can and do change periodically, for example as a result of national elections or cabinet reshuffles” (Ibid.).

4. Conceptual Framework

4.1. The Principal-Agent Theory

The thesis' underlying conceptual framework is built on the assumptions laid out in the principal-agent theory. Originally developed in the economic subdiscipline political economy, the theory suggests that principal-agent relationships exist whenever a person delegates a task to another person who obtains the necessary knowledge and expertise that are required to fulfil the task. Thereby, the person delegating the task is referred to as *principal* while the person fulfilling the task on behalf of the principal acts as *agent*. Principal-agent relationships exist in all areas in life, such as relationships between client and lawyer, patient and doctor, or employee and employer. Important microeconomic assumptions in this theory are “that human interactions are best understood as a meeting of two self-interested and rational actors with relatively fixed preferences trying to maximise their own utility—but both of whom have less than complete information” (Quinn 2010, 44). Consequently, a variety of problems arise that are inherent to such relationships, which are commonly referred to as principal-agent problems. The core of these principle-agent problems is built around the assumption that asymmetry of information in favour of the agent exists, otherwise the principal would not have to delegate the task to an agent but could fulfil it on their own (Quinn 2010, 43). This information asymmetry gives rise to two central dilemmas: adverse selection and moral hazard. Adverse selection indicates that prior to employing an agent, the principal is only to a limited extent able to gather information about the knowledge and expertise of the agent. Furthermore, due to their self-interested and utility maximising nature, agents are potentially induced to exaggerate when advertising their qualifications. Thus, this could lead to the result that a principal employs an agent who does not sufficiently obtain the knowledge and expertise the respective task requires. Moreover, moral hazard implies that after being employed, the possibility exists that the agent is acting in contrast to the principal's assignment due to competing self-interests. Both adverse selection and moral hazard ultimately lead to so called ‘agency costs’, which are the costs a principal has to bear when the agent acts in deviation of the principal's interests (Spremann 1987, 8). Scholarship suggests several solutions to minimise principal-agent problems. One well examined solution is to set up a contract between the principal and the agent which defines the incentives for the agent to act in the principal's interest by linking payment to outcome (Quinn 2010, 45; Miller 2005, 349).

However, due to information asymmetry, it is often impossible to clearly define such incentives, thus rendering contracts an insufficient measure in many cases. Besides others, Miller suggests monitoring as well as cooperation between principal and agent as alternative measures (2005, 360). Nevertheless, also the functioning of these solutions depends on the specific situation and requires certain preconditions.

4.2. The Principal-Agent Theory's Application in Public Affairs Research

Detached from economics and applied in political science to examine various situations of delegation, the principal-agent theory is also used to explain dynamics in the field of public affairs. In this regard, both U.S. American as well as European scholarship has brought forward relevant frameworks underpinned with empirical findings that form the foundation of this thesis' conceptional framework.

4.2.1. Existing Approaches

Particularly in the years after a decisive U.S. lobbying scandal around the lobbyist Jack Abramoff in 2006, U.S. scholars in the field of public affairs have shifted their research focus towards principal-agent problems in lobbying, as they started to question the assumption that lobbyists always act with fidelity (Lowery and Marchetti 2012; Schiff et al. 2015; Holyoke 2017; Whitesell, Schiff, and Lowery 2018). In one of the first papers in this regard, Lowery and Marchetti assess what kind of principal-agent problems are inherent to client-lobbyist relationships (2012). While they do not follow the traditional economists' approach that categorises problems along the two dimensions adverse selection and moral hazard, they instead assess the topic along three adapted dimensions—problems of outcomes, problems of interests, and problems of monitoring (Ibid., 141). The scholars suggest that problems of outcomes arise, since in contrast to most other goods and services, multiple factors—from institutional complexity to the numerous actors influencing lobbying success—play their part in lobbying outcomes, thus making them enormously ambiguous (Ibid., 142-143). Furthermore, they suggest that problems of interest can either arise when lobbyists represent clients with conflicting interests, or when lobbyists deviate from their clients' interests because they prefer to maintain stable long-term relationships with legislators (Ibid., 145-146). Last, they suggest that problems of monitoring are inherent to lobbying since clients do not obtain the necessary experience or technology to monitor their lobbyists' activities and success, or these activities are simply not observable

(Ibid., 149-150). Lowery and Marchetti conclude that lobbying is particularly prone to principal-agent problems. However, after assessing the utility of three different types of solutions—market solutions, hierarchical solutions and social control solutions—they conclude that none of them are “likely to provide a perfect inoculation against principal-agent problems” (Ibid., 159).

In EU context, academia likewise introduced the principal-agent theory to public affairs research, however, coming from a different starting position than in the U.S. In her PhD thesis published as a book in 2004, Michalowitz argues that the literature existing until then does not provide a satisfying theoretical framework to explain the dynamics in EU interest representation. According to her, most research focuses mainly on two approaches: On one hand, scholars argue that “European governance is too complex to put lobbying into a certain scheme” (Michalowitz 2004, 41–42), thus, they conducted research only via case study analysis. On the other hand, interest representation is assessed from the perspective of rational choice theories, which is, according to her, equally ill-suited (Ibid.). A more promising approach, she resumes, lies within the attempt to frame EU interest representation as interactions between private and public actors that are based on exchange. However, she highlights the limitation that this approach does not take intermediary actors, e.g. lobbyists, into account (2004, 43). As a consequence, Michalowitz develops her own theoretical framework, combining exchange theory with principal-agent theory. In her framework, interest representation in the EU consists of two relationships: First, a principal-agent relationship, in which the firm or group who wants to lobby the EU institutions acts as principal and the lobbyist who carries out the lobbying acts as the agent. The second relationship exists between the lobbyist and the respective institution and is based on exchange, with information and influence as exchange goods (Michalowitz 2004, 56–57). Michalowitz further takes into account that in EU interest representation, different types of agents engage as intermediate actors, as discussed in detail in previous chapters. In this regard, she points out a research gap, asking the following unexplored questions: “[Why do] certain actors use all or certain agents for their lobbying[?]”, “[When do] they use which agent[?]” and “[Who are] these agents exactly[?]” (2004, 119). Seeking to answer these questions, she conducts an empirical study involving 56 interviews with mainly Brussels-based experts, including lobbyists of associations, political consultants, in-house lobbyists and regional office representatives (Ibid., 120). Her study yields particularly two main findings: First, she derives from her analysis that a functional division

between the different agents exists. Second, she finds that agents fulfil a cross-controlling function when employed simultaneously (Ibid., 144). Thus, Michalowitz concludes that “lobbying actors seem to indeed expect an improvement of their negotiating position from the employment of agents, and from the employment of multiple agents” (Ibid., 146).

4.2.2. Application in this Thesis and Research Aim

This thesis’ conceptual framework builds on the work provided by Lowery and Marchetti (2012) as well as Michalowitz (2004). As outlined in the previous section, a particular strength of Lowery and Marchetti’s framework is their focus on the principle’s perspective, aiming to explain the type and nature of principal-agent problems that can potentially occur in such relationships, as well as to discuss potential mechanisms to solve them. Moreover, relying additionally on Michalowitz helps to take the distinct situation of EU corporate public affairs into account. Thus, this thesis raises two general assumptions: First, it assumes that between companies and their public affairs agents principal-agent relationships exist. Second, based on the literature review, the thesis further assumes that in the EU, companies employ multiple public affairs agents. Based on these assumptions, the thesis aims to answer the following main research question in addition to three sub-questions:

Why do companies use multiple public affairs agents to influence policy- and decision-making processes in the European Union?

- *Which functions do companies assign to the different public affairs agents?*
- *Which principal-agent problems occur with the different public affairs agents and what are companies doing to mitigate or solve them?*
- *How has the relevance of the different public affairs agents changed for companies over the past 10-15 years?*

The thesis aims to contribute to existing literature in particularly two aspects: First, it seeks to provide knowledge on the company-internal perspective on EU corporate public affairs. As Bitonti and Harris highlight, “it is worth studying public affairs and the lobbying industry in the EU through the lenses of political analysis, in order to better understand modern democracy, and through the lenses of marketing, business and communication, as the public affairs arena is strategic for competitive advantages for one’s organization” (2017, 7). However, while there already exists a vast body of literature looking at corporate

influence in the EU from a political science perspective, the company-internal role and functioning of public affairs as well as companies' perceptions of the topic have attracted scholarly attention only to a limited extent. Second, the thesis aims to examine the issue of multiple public affairs agents in the light of the year 2020. Michalowitz (2004), Priddat and Speth (2007) as well as Hoffmann, Steiner and Vogel (2007) provide valuable findings on the role and functions of multiple public affairs agents in their contributions, however, a decade and a half have passed since. As outlined in a previous chapter, both institutional as well as socio-political changes in the EU have led to the transformation of corporate interest representation, particularly since the 2007 Lisbon Treaty and the emergence of social media. Therefore, it is of high relevance to revisit the topic and to provide present-day empirical findings on EU corporate public affairs and its multiple agents. In sum, the thesis helps to gain deeper knowledge on the way companies think and act with regards to influencing EU policy- and decision-making processes, ultimately contributing to a profound understanding of companies as political actors in the EU system.

5. Methodology

In order to answer the stated research questions, empirical findings were collected in a qualitative study. The study was held in the form of semi-structured interviews. This method facilitated interview situations which allowed the interviewer to ask sub-questions in a flexible manner in addition to a prepared question catalogue, depending on the conversation's course. The question catalogue included an initial question on the use of the term 'public affairs' in the respective company; questions about which EU institutions are relevant targets for the companies' public affairs efforts; separate questions on the role and functions of each of the three previously defined public affairs agents as well as on potential problems the experts identify in relation to each agent; and the changed roles of the different public affairs agents in the past 10-15 years.

While Michalowitz (2004) in her qualitative study interviewed representatives of associations, political consultants, in-house lobbyists and regional office representatives, this thesis' study focuses exclusively on in-house public affairs experts. Aiming to assess the topic from a company's perspective and to reveal new knowledge on the company-internal functioning of public affairs, in-house public affairs experts are regarded as appropriate interview partners. According to the original research design and considering

the limited scope of the thesis, four to six interviews were planned. Furthermore, the scope was limited to Austrian companies with their headquarters in Vienna in order to make personal interview sessions feasible. In addition, the scope was further limited to companies operating in the infrastructure industry, e.g. transportation, communication, water, electricity industry, etc., due to the following reasons: First, in order to ensure comparability, it is necessary to select companies which operate in the same industrial sector and under the same legislative conditions. However, in some sectors only a few, large companies dominate the market, complicating the identification of adequate interview partners who are willing to share their insights. In contrast, due to its diversity and volume, the infrastructure industry offers a large number of potential sample companies for this research. Second, companies need to have a certain size (i.e. employees, revenue) to be interested in and even able to afford multiple public affairs agents to influence EU policy- and decision-making processes. Within the infrastructure industry many companies fulfil this requirement. Third, findings on the infrastructure industry are particularly valuable because this industry can be assumed to have great interest in influencing EU policy- and decision-making processes as they operate in a highly regulated field. Moreover, even though not considered in the original research design, the Covid-19 crisis reveals a fourth reason why findings on the infrastructure industry are of high significance: Numerous companies in this sector are providers of critical infrastructure and thereby relevant for the maintenance of public systems, particularly in times of crises, which makes them during these times more than ever central subjects of public interest.

The actual interviews were held between 17 and 25 March 2020. Originally, the interviews were planned to be conducted in person. However, due to the sudden aggravation of the Covid-19 crisis in Austria and the following governmental measures which vastly limited public life and individual interaction, the interviews had to be conducted via phone and skype calls instead. Although one interview partner cancelled last minute because of other duties related to the crisis, four interviews could finally be held. Thereby, the planned minimum number of interviews could be adhered to. Each of the four interview partners showed profound expertise in corporate public affairs and each of them is or has been in charge of EU public affairs in their respective company. Moreover, their companies are all operating in different sectors of the infrastructure industry, thus demonstrating the industry's diversity to some extent. In addition, the sample companies differ in their ownership structures, including fully public, fully private as well as mixed ownerships. In

terms of company-size, all four companies belong to the category of ‘large enterprises’, generating annual revenues between one and six billion Euros and counting workforces of several thousand employees. At the beginning of each interview, the experts were asked to indicate if their respective company is currently employing or has employed in the past the three public affairs agents that are central to the thesis. This is decisive, since the thesis is built on the assumption that companies employ multiple public affairs agents to influence EU policy- and decision-making processes, as suggested by previous scholarship. This was positive in all four interviews. Moreover, even though each expert was asked the same questions according to the prepared catalogue and additional situation-dependent sub-questions, the interviews significantly varied in length. The interviews were held in German and were audio recorded. Subsequently, the audio records were transcribed. In the following analysis, the gathered data was deconstructed within a qualitative content analysis according to Mayring (2015). Thereby, the given research questions were operationalised in so-called ‘dimensions’, which constituted the labels for the data categorisation. As reflected in the subsequent results section, the dimensions were: *Addressees of Corporate Public Affairs, Application of the Term ‘Public Affairs’, In-House Public Affairs Agents, Associations, and External Public Affairs Agents*. Second, in individual evaluations of each interview, significant phrases were extracted from the transcripts and allocated to the respective dimension. Third, generalised statements were derived from these phrases, however, particularly illustrative phrases were left in their original form in order to potentially use them as direct quotes in the thesis. Fourth, the generalised statements were then reduced by removing all repeated references. Last, the filtered and categorised results were then translated into English. Ultimately, the results are presented in the subsequent section of this thesis, followed by a discussion in the light of existing literature, answering the stated research questions. Taking into account the delicate nature of corporate public affairs, the results of the interviews are presented in an anonymised form, as assured to the interview partners. According to the sequence in which they were conducted, the interviews are labelled as interview A, B, C and D in this thesis.

Ultimately, potential limitations to this research project arise. In general, there is no guarantee that the interview partners included all relevant information in their answers, considering the sensitivity of the topic. In addition, the unforeseeable circumstances under which the interviews had to be held and thereby the lack of a personal conversational atmosphere has potentially affected the study. However, the evaluation shows that each

interview yielded a number of relevant data, and particularly some interviews brought forward data of high quality due to their substantial depth. Moreover, while the interview partners answered from an external perspective on the questions related to associations and external public affairs agents, they discussed the questions on in-house public affairs from an internal viewpoint. The mix of subjective and objective perspectives has to be taken into consideration, however, since the research as a whole is interested in highlighting companies' perspectives and the internal functioning of EU corporate public affairs, the method appears to be valid. In sum, although the Covid-19 crisis initially appeared to largely hamper the conduct of this qualitative study in addition to potential general limitations, thanks to the flexibility and cooperation of all involved experts, high-quality interviews could still be executed, thus enabling this research project to be realised as planned.

6. Expert Interview Analysis

6.1. Results

Addressees of Corporate Public Affairs

In order to gain background knowledge on which EU institutions are relevant for the sample companies and, thus, who they seek to influence, the experts were initially asked to identify the addressees of their companies' public affairs efforts. In terms of institutions, all four interview partners stated that both the European Commission as well as the European Parliament are relevant to them, whereby two experts additionally mentioned that also the Council of the European Union is important. Moreover, one expert stated that their company is also highly active towards the European Standardisation Organisations. Also, he added that "of course, there is not much you can do with lobbyists at the ECJ [European Court of Justice], but it shapes the behaviour of the European Commission and the European institutions very, very strongly" (Interview A, 17 March, 2020). In terms of persons or political roles, one expert reported that their main contact in the Commission is the Directorate-General that is operating under the Commissioner responsible for the company's area of business. With regards to Members of Parliament (MEPs), two experts indicated that they seek contact to Austrian MEPs and MEPs from countries where they operate their businesses in. In addition, two experts emphasised that MEPs who are members of relevant committees in the European Parliament are of particular relevance.

Regarding the Council, one expert mentioned that the respective Austrian minister is important to them as well as the ministry's attaché in Brussels.

Application of the Term 'Public Affairs'

Since the term public affairs is central to this thesis, the experts were also initially asked which role the term public affairs plays within their companies. Only in one company, the department responsible for public affairs is actually labelled as 'Public Affairs' department, whereas in the three other companies descriptions such as 'EU Affairs' or 'Corporate Affairs' are applied. Furthermore, one expert indicated that ten years ago, their company used to have positions called 'Public Affairs', however, they subsequently replaced it with more subject-oriented descriptions such as 'Regulatory European Affairs'. Yet, he added that these new descriptions were only applied in external communications, while they internally continued to use the term public affairs.

In-House Public Affairs Agents

The four interviews reveal that the way in-house public affairs is embedded in the organisational structures varies from company to company. In interview A, the expert explained that in the past, their company had an 'International Relations' department in charge of public affairs, however, it did not prove successful. Today, only one person is responsible for EU public affairs who is directly attached to the companies' management board. In order to facilitate a more technical-oriented public affairs, the company installed what they call a 'strategy triangle': This triangle consists of the companies' in-house public affairs expert as well as experts from two different technical departments. As 'strategy triangle', it is their task to jointly work on the companies' public affairs strategies and formulate the companies' positions on specific policies. In this vein, the public affairs expert obtains relevant information from the internal technical departments, while the technical departments obtain relevant information on EU politics via the public affairs expert. "This purpose-oriented approach has prevailed in our organisational chart", the expert said (Interview A, 17 March, 2020). In interview B, the expert similarly indicated that public affairs had different structures within their company over the years, starting 15 years ago with a liaison office in Brussels. Today, the Brussels office still exists but the company additionally established a 'Corporate Affairs' department in their Vienna headquarter which is divided in national, EU and international affairs. As the company is

structured as a parent corporation with different subsidiary companies, the Corporate Affairs department is located within the parent company, managing public affairs centrally. However, the expert highlighted that whenever a public affairs issue is of direct concern to one of the subsidiaries, the Corporate Affairs department works closely together with departments of the respective subsidiary. In interview C, the expert reported that their company used to have a permanently staffed liaison office in Brussels with three to four employees. However, they started to gradually reduce the Brussels office until—approximately five years ago—the company generally discussed the necessity of their permanent presence in Brussels. They finally decided to dissolve the Brussels office and to cover EU public affairs topics from their Vienna headquarters. On the current structure of public affairs within the company, the expert explained that “we try to set this up very agile” (Interview C, 25 March, 2020). He reports that public affairs topics are closely coordinated with their management board, although there is no direct reporting line. Moreover, they established a board in which the public affairs experts and experts from the different technical departments are brought together for a regular exchange. In the last interview (D), the expert explained that their public affairs department is part of corporate communications. He illustrates that a ‘communication management triangle’ is operating under the management board, consisting of the three communicational sub-divisions press relations, advertisement, and public affairs. Officially, the public affairs department reports to the head of communications, however, unofficially, he stated, they report directly to the management board. The expert indicated that in the past, public affairs was a staff unit of the management board, but in the course of a general internal re-organisation of the company, public affairs was integrated into the then newly established communications department. As reasons for the relocation of public affairs, he claimed that officially, the company wanted to bundle all departments which communicate outwards, however, unofficially he remarked that management board staff units should be reduced. “In reality, we still work like this”, the expert stated (Interview D, 25 March, 2020).

Regarding their core tasks and activities, all four interview partners indicated that the main responsibility of in-house public affairs is to participate in policy-making and legislative processes. One expert pointed out that “my goal is to create or maintain a regulatory framework that gives our products the widest possible market access” (Interview A, 17 March, 2020), whereas another expert stated that there are also “reactive issues where risks of regulatory nature loom and then you try to mitigate them” (Interview C, 25 March, 2020).

To facilitate this, in-house public affairs is responsible to set up the companies' public affairs strategies ("We do everything that is strategy", Interview A, 17 March, 2020; "Essentially, it's about working with the management board to identify issues that you want to achieve", Interview C, 25 March, 2020). This includes, according to three of the interview partners, that in-house public affairs is responsible to manage the coordination with their in-house specialists from the specialised departments to define which issues are relevant. As one interview partner remarks, "all issues are cross-sectional topics relating to the respective technical areas, so there are no distinct public affairs topics, but only content-related topics that a company wants to achieve" (Interview C, 25 March, 2020). Moreover, one interview partner pointed out that "most of my work consists of the coordination of technical experts with whom we provide various expert groups" (Interview A, 17 March, 2020). In addition to the internal coordination of in-house experts, the interview partners indicated that it is also their responsibility to coordinate the collaboration with associations and external consultants. "My job is to set and steer the issues and make sure that we get things through. Whatever channel is the most effective, that's the one you use in the end" (Interview C, 25 March, 2020). The same expert also stated that they track their public affairs efforts and evaluate their success afterwards.

Another point that was discussed by the experts with regards to in-house public affairs is their network, which, according to them, constitutes an important part of their work. All experts reported that they fly to Brussels on a regular basis, whereas two of them additionally emphasised that they also send specialised in-house experts to Brussels who obtain the necessary technical knowledge. In this regard, one expert reported that as his company's EU public affairs expert, he has a profound network in Brussels. However, he added that the importance of networking as part of public affairs has significantly decreased over the past twenty years, stating that "when I started, it was a much stronger component than it is now (Interview A, 17 March, 2020). Another expert emphasised that in his company, they try to not only use the public affairs experts' networks, but also those of experts from technical departments, since many of them are well-connected with other experts in their field. The third expert who raised the topic of networking in relation to in-house public affairs reported that his company generally has a large network and sets great value on it. He reported that they particularly employ individuals in public affairs positions who "have previously worked in the political field and therefore know the people and have access" (Interview B, 17 March, 2020). He adds that "when I am looking for someone for

corporate affairs, I will always make sure that they have a network” (Ibid.). In relation to this, the same expert mentioned that in general, “we are in the fortunate position, as a large company, that when we have an urgent request for a MEP, that at least we are heard” (Ibid.). In contrast, another expert reported the opposite, that “as a small player, it has never been easy to make yourself heard for your topics” (Interview C, 25 March, 2020).

Associations

After providing insights on the role and functioning of in-house public affairs, the experts were asked to elaborate on the role and importance of associations as part of their public affairs efforts. They all indicated that their companies are direct members of European associations, but also indirect members of European umbrella-associations through their memberships in national associations. In this regard, one expert highlighted that some of his company’s national associations do not have the resources to participate in working groups of European umbrella-associations themselves, thus, they send the expert’s company to Brussels in order to act on their behalf. Moreover, the interview partners unanimously stated that whenever an issue is of shared interest to many companies, it is more effective to pursue it through an association than acting as a single company. Although they are often competitors in the same market, co-members in associations are a company’s “closest allies” (Interview A, 17 March, 2020). In turn, “the more company-specific it gets, the more it moves away from associations towards in-house lobbying” (Ibid.).

With regards to the functions of European associations, the interview partners’ answers partially overlapped. Repeatedly mentioned functions included that associations provide representativity, significantly increase the persuasive power, and “bundle both know-how and voices” (Interview B, 17 March, 2020). Moreover, the experts indicated that European associations provide useful information due to their mandates in committees and expert groups as well as contacts and large networks. Also, companies get valuable information on their competitors or their counterparts in other countries through the regular exchange with them within the setting of associations. Additionally, concerning competitors, one interview partner emphasised that associations are particularly important to his company from a competition law perspective, because competitors can thereby communicate jointly without being faced with the legal obligation of forming an oligopoly. Another interview partner remarked that associations also give his company the opportunity to free ride

occasionally: Sometimes, issues exist that are of great interest to a number of association members, resulting in strong collaboration and activity within the association to attain the set objective. In cases where the expert's company shares these interests, he indicated that he can "relatively strongly lean back" (Interview C, 25 March, 2020) and his company does not have to invest many resources, as this is already done by other members. Furthermore, two experts remarked that associations provide unique access to EU institutions: One pointed out that associations often hold mandates in expert groups of EU institutions, thereby "delivering reports that reach a depth a public affairs firm can hardly reach" (Interview A, 17 March, 2020). In addition, another expert mentioned that particularly the European Commission prefers to listen to one bundled opinion voiced by an association, instead of interacting with each company separately. On a different note, one interview partner also raised the argument that associations give people functions and positions and "associations are also simply fun": "You can go to cool congresses through associations" and "you can stay in exclusive hotels" – "this attracts people, it may sound cheap, but that's how it is" (Interview A, 17 March, 2020).

When the interview partners were asked to rate the effectiveness of associations and their overall satisfaction with them, the answer of one interview partner differed greatly from the others. In sum, the underlying message of all interview partners was that no generally applicable answer can be given on associations' effectiveness, as it differs on the specific association as well as on the specific industrial sector. Either way, the experts indicated that associations are time-consuming and problems resulting from heterogeneous interests often arise. Two experts additionally mentioned that particularly in large associations it is difficult to assert oneself as Austrian company against companies from large EU member states, such as France or Germany, whereas, according to one expert, "the smaller and more specialised an association is, the more the quality of a statements counts, and not who it comes from" (Interview D, 25 March, 2020). However, three experts indicated that they perceive European associations as effective and, thus, they remain an important part of the companies' public affairs. In contrast, one expert pointed out that in his perception, associations have decreased in importance over the past and that "at European level, I am somewhat sceptical about our sector, if we are very successful as associations" (Interview C, 25 March, 2020). The expert argues that a confrontational approach in interest representation is in general not practiced in Brussels, which is why also associations refrain from it, although many issues would require vivid debates. He indicates that associations

are afraid to destroy existing relationships, but “if an association is more worried about how its association is perceived by others than about how it represents the interests of its members, then it gets problematic” and “it is losing strength” (Interview C, 25 March, 2020).

Furthermore, the interview partners reported that they also evaluate their memberships, particularly with regards to their costs. However, it is uncommon to actually leave an association. As many memberships in associations are historically grown, “leaving an association is a kind of rebellion” (Interview A, 17 March, 2020) and thereby, the companies often remain members even though they do not benefit from such memberships. One expert remarked that in his company thoughts were discussed to leave an association and found a new one. However, they finally decided not to do so, as such an endeavour would require much preparatory work and investments, the support of other companies as allies, and it would take a long time until such a new association would be effective—“it is not a serious option” (Interview C, 17 March, 2020).

External Public Affairs Agents

As last point, the four interview partners were asked to discuss the role and importance of external public affairs agents for their companies’ public affairs. While all four companies have employed external public affairs agents in the past, thereby being able to refer to their individual experiences, their current use of external support varies greatly. In this regard, one expert reported that his company employs an external political consultant who is permanently in Brussels, as it is helpful to have someone who observes “the situation on the ground” (Interview A, 17 March, 2020). The interview partner indicated that his company has been with the consultant for almost twenty years. In the beginning, the respective consultant was part of a public affairs agency which the company employed for regulatory tasks, however, when the consultant left the agency and continued as a ‘one-person firm’, the company kept the relationship with the consultant. Today, the company does not need the agency anymore as they now manage these tasks in-house, but they still employ the consultant in Brussels to gather information and help with logistical tasks and specific questions, such as the best timing or the best type of event to communicate certain issues. The expert added that in the past, the consultant was also helpful to provide access to his network, however, this is not important anymore, as he has now himself a large

network in Brussels and since the last European parliamentary elections, there has anyways been a ‘total reset’ (Ibid.).

Another expert reported that his company employs external public affairs consultants for strategic advice due to their unique concepts and approaches. The expert highlighted that together with the management board, the in-house public affairs experts plan their public affairs projects each year. From these annual plans, specific tasks are derived which are then delegated to external consultants, or they are worked on collaboratively with in-house public affairs and external consultants. They track the consultants’ work monthly with performance reports (“everything is meticulously documented” Interview C, 17 March, 2020) and regular coordination. Moreover, the expert points out that employing external consultants is also to some extent part of their ‘risk management’ (Ibid.): Issues exist that are unpleasant or delicate, “where you can burn your fingers” (Ibid.). In such–yet rare–cases, they prefer that an external consultant ‘burns his fingers’ instead of the company. “If something goes wrong, you may have to look for a new consultant, but you do not internally produce collateral damage” (Ibid.). However, in general the expert indicates that the relevance of external public affairs agents has diminished, due to increased professionalism in-house, and a strong content-orientation, which has replaced the companies’ former network-orientation.

The decreasing relevance of external public affairs consultants also corresponds to the remaining two experts’ statements. Both pointed out that they do not employ external consultants for European public affairs, as they completely manage it in-house (“I think you need external agencies, if you are not well positioned internally”, Interview B, 17 March, 2020). Moreover, all four experts mentioned a number of disadvantages and problems with external consultants. This includes that public affairs agencies are too expensive compared to their actual effectiveness, and the quality of their work is often not satisfying. One expert highlighted that agencies often develop their own work dynamics, and once an agency has a budget and started their work, it is difficult and expensive to change course. Furthermore, as mentioned by three experts, agencies lack in technical knowledge, and briefing them on specific topics and situations is highly time-consuming–“an agency can’t be that specialised, because they are simply not in-house and do not have access to certain information” (Ibid.). The enormous briefing effort is, according to one expert, also a reason why companies do not often change agencies.

6.2. Analysis and Discussion

Based on the results presented in the previous section, the main findings of this thesis are analysed and discussed in order to answer the proposed research questions. Aiming to approach the topic from the company-perspective, a set of essential functions the companies—in their role as principals—attach to their public affairs agents as well as several problems inherent to the principal-agent relationships between company and public affairs agents can be derived from the results. In addition, the results yield valuable insights on the transformed relevance of the three public affairs agents over the past 10-15 years.

In-House Public Affairs Agents

Similar to what Michalowitz (2004, 128) found in her study on EU lobbying agents, important functions of in-house public affairs agents are the *collection of information*, *networking*, as well as *direct lobbying activities towards EU officials*. Furthermore, the results reveal a novel finding that appears to constitute the most relevant function of in-house public affairs agents nowadays: *a coordinating function*. More precisely, in-house public affairs agents are responsible to set-up the companies' public affairs strategies in close collaboration with both the management board as well as experts from the company's technical departments. Thus, it is argued that in-house public affairs agents are not only the "connecting links to the political system", as proposed by Filzmaier and Fährnich (2014, 1193), but they are also the 'connecting links' between the different company-internal stakeholders that are needed to develop effective corporate public affairs strategies. In addition, in-house public affairs agents also fulfil a second coordinating function, which is the coordination of associations and external public affairs agents, such as consultants, that are part of the companies' public affairs strategies. According to statements of the interview partners, it is, for example, their responsibility to coordinate which technical experts are sent to Brussels to participate in association meetings, or to decide which specific tasks are outsourced to a public affairs agency. Thereby, in-house public affairs agents take on a central role in corporate public affairs, or, as in the words of an interview partner, "it is, so to speak, the core and industry associations and our consultants are draped around it." (Interview A, 17 March, 2020). In comparison, Michalowitz found in her study that in-house lobbying offices "provide a back-up function in case other agents fail" (2004, 129). In other words, it appears that in the early 2000s the core of corporate public affairs were associations, while in-house public affairs agents were a complementation. Thus, it is

argued that the discovery of the *coordinating function* constitutes a particularly valuable finding, as it reveals a whole new understanding of the role of in-house public affairs agents company-internally, but also in relation to other public affairs agents.

With regards to principal-agent problems that occur between the companies and their in-house public affairs agents, at this point it has to be reminded that the interviewed experts were providing answers from a subjective perspective. Therefore, the interviews did not yield any direct statements on companies' problems with in-house public affairs agents, as it was the case for associations and external public affairs agents. Nevertheless, valuable findings on principal-agent problems between companies and their in-house public affairs agents can be derived indirectly from the interviews. Recalling the assumptions proposed by Lowery and Marchetti (2012), there are three types of potential principal-agent problems inherent to such relationships: Problems of outcomes, problems of interests, and problems of monitoring (Ibid., 141). In the case of in-house public affairs agents, it is argued that companies are particularly faced with problems of outcomes and problems of monitoring, however, they appear to apply mechanisms to mitigate these problems. More precisely, as outlined by the interview partners, the internal structures of their companies' in-house public affairs departments have been under repeated change over the past years, leading to the assumption that previous structures did not properly fulfil their assigned purpose. However, a decisive internal adaption to overcome this problem, as indicated by the interviewed experts, is arguably the re-orientation of public affairs towards a content-related focus rather than the former network focus, facilitated by involving not only the management board but also the technical departments. In other words, it appears that companies recognised that they are more successful in bringing about a desired policy-outcome when providing useful policy input in form of technical access goods instead of relying primarily on their network. Although policy outcomes are influenced by a number of other factors, it is therefore argued that with a content-oriented—or technical—public affairs approach, companies try to reduce problems of outcomes to the extent which is within their power. Moreover, another mechanism to mitigate principal-agent problems can be identified: Through the attachment of in-house public affairs agents to the management board—facilitated by both formal but also informal reporting lines—it appears that companies seek a large degree of high-level control over their in-house public affairs agents. Arguably, while other departments' performances can be monitored and assessed by certain key performance indicators, such as monthly sales growth, net profit margin, or percentage of

on-time delivery, a deficit of such indicators prevails in public affairs. Therefore, companies try to mitigate such problems of monitoring by making public affairs a “chief matter”.

Associations

According to the results, the function of associations valued most by companies is their *representativity towards the EU institutions*, which supports what also Michalowitz (2004, 126) finds. However, while Michalowitz does not further specify this observation, the interviews reveal the actual value added for companies in correlation to *representativity*: As emphasised by all four interview partners, associations provide them with a degree of *persuasive power* towards the EU institutions they would not be capable of exerting as individual companies. Thus, according to the interview partners, if a collective interest exists, companies generally prefer taking the path of collective action instead of individual action. In addition, another function that also correlates to *representativity* is the *unique access to EU institutions* facilitated by associations. More precisely, as highlighted by two interview partners, associations often hold mandates in committees or expert groups, as the EU institutions prefer to communicate with representatives of bundled interests. Thus, associations are often invited to consultations with restricted access as representatives of corporate interests, whereby companies indirectly receive a seat at a table they would otherwise not be invited to. Furthermore, besides a *broad network* and *useful contacts*, associations also provide companies with two different types of valuable *information*, which have already been identified by Michalowitz (2004, 123): On one hand, associations fulfil the function of *providing a venue to collect information on competitors*, although this is arguably not an actual purpose of associations as interest representatives. On the other hand, associations provide companies with *information useful for their public affairs efforts*. In particular, through the unique access of associations to certain consultation mechanisms of the EU institutions, associations provide companies with first-hand reports about policy processes, as highlighted by an interview partner. In comparison, Michalowitz states that associations “provided the respondents with a large set of information; although this factor was seen as decreasing in importance, due to possibilities provided by the Internet” (2004, 123). Based on this, it can be assumed that due to the steady development of the internet over the years, much of the information associations exclusively provided in the early 2000s, can nowadays be accessed through the internet, rendering associations

today rather irrelevant in this regard. However, it appears that with the establishment of the Commission's consultative mechanisms in the early 2000s, and their further extensions over the following years, associations were able to resume their function as *exclusive information providers*. Consequently, it can be observed that the function of associations as *information providers* has not changed over the past 15 years, nonetheless, the nature of the information valuable to companies has changed.

Although only one interviewed expert strongly doubted the effectiveness of his sector's two main associations, the other three experts—who are actually convinced of the importance of European associations—also pointed out principal-agent problems inherent to the relationships between their companies and their associations. The mentioned issues can be categorised as problems of interests arising both from member-level but also from management-level within associations. More precisely, the heterogeneous interests within associations often result in official association positions that deviate from the company's particular interest. Moreover, such a deviation particularly occurs when other, more powerful association members dominate the internal debate. In addition, another problem of interest on management-level is that association representatives who are mandated to communicate with stakeholders on behalf of their associations sometimes do not properly voice their members' interests, including criticism, but rather prefer to maintain friendly relationships to policy-makers by avoiding critical debates. However, it appears that companies do not raise any efforts to mitigate these principal-agent problems. Although the interviewed experts indicated that they evaluate their memberships, it appears that companies are not able or willing to change the operational structures of their associations in their favour. Yet, it is uncommon practice to terminate such ineffective principal-agent relationships, which would mean to actually leave an association. Thus, it appears that instead, companies rather choose to avoid these problems by concentrating their efforts and resources on association work in matters of shared interests, while increasing their activities with other public affairs agents in matters of their own, specific interests. According to one of the experts, in recent years temporary ad-hoc platform-like alliances have started to play an increasingly important role, whereby companies benefit from the persuasive power of collective action but at the same time avoid problems inherent to associations and their permanent memberships.

External Public Affairs Agents

While the interviews allow to derive a set of generalisable functions for both in-house public affairs agents as well as associations from the interviews, this differs regarding external public affairs agents. Two experts reported that their companies do not employ external consultants anymore, indicating that their in-house departments fulfil relevant functions on their own. In addition, the other two experts provided highly diverging answers: According to one expert, their external public affairs consultant fulfils the function of *providing strategic advice* which is particularly useful due to consultancies' unique concepts and approaches. Additionally, external consultants also fulfil a '*shield function*' when carrying out highly delicate tasks on behalf of the company that would potentially put the company's reputation at risk if carried out by its own employees. In comparison, the other expert remarked that his company only uses a consultant for *information provision as well as contact and network provision* 'from the ground' in Brussels. However, the company only needs these services to a limited extent nowadays, as the expert himself has gained his own wide network in Brussels over the time. Thus, similar to the other experts' statements, in-house public affairs increasingly takes over tasks originally delegated to external public affairs agents.

Principal-agent problems inherent to the employment of external public affairs agents mainly include problems of monitoring. For companies, it is difficult to observe the work of external agents, particularly in projects over a long period of time. In addition, according to the experts, the work delivered by external agents oftentimes does not correspond with the principals' expectations and they often lack the specific knowledge necessary for the subject at stake. However, this can arguably not be anticipated but only be realised during or after completion of a project. Experts raised a potential solution to mitigate such problems, which is to extensively brief the externally employed consultants, yet, such an effort would be too time-consuming. Instead, companies rather choose to terminate or limit these principal-agent relationships. As indicated by the experts, the diminishing relevance of external public affairs agents also goes hand in hand with the increasing professionalisation of their companies' in-house public affairs departments, as they take over the tasks previously done by external agents. Thereby, costs can be reduced and problems of monitoring mitigated, as the in-house public affairs departments are closely connected with the relevant technical departments. Thus, it appears that the more in-house

public affairs departments are expanded and professionalised, the more they substitute previously required external public affairs agents.

Summarised Findings on Multi-Agent Use in EU Corporate Public Affairs

Similar to Michalowitz' (2004) main finding, the thesis concludes that companies use multiple public affairs agents to increase their potential of influencing EU policy- and decision-making processes. On one hand, the thesis argues that each of the different public affairs agents provides companies with essential functions, which in sum add up to comprehensive public affairs strategies. On the other hand, each public affairs agent is related to certain principal-agent problems which cannot at all or only partially be mitigated, therefore resulting in agency costs. Thus, the thesis additionally shows that by using multiple public affairs agents, certain deficits can be mutually compensated between agents, which ultimately reduces the overall agency costs.

While these results mainly reiterate what Michalowitz has already found in the early 2000s, the thesis also contributes to existing literature with two decisive findings: First, based on previous scholarship, the thesis initially assumed that the three types of public affairs agents are somewhat on equal footing with regards to their relationships to the principal. However, with the revelation of the *coordinating function*, the thesis shows that in-house public affairs agents nowadays take on a central role within corporate public affairs. On one hand, they coordinate public affairs strategies with all relevant company-internal stakeholders and on the other hand, they steer the public affairs tasks delegated to external public affairs agents and associations. Second, while Michalowitz argues that "a division of labour seems to prevail in the relationship between agents instead of competition between agents" (2004, 143) and that "their essential purposes differ, which does not render one of these channel types obsolete" (2004, 144), the thesis comes to a different conclusion. Between in-house public affairs agents and associations, a 'division of labour' still appears to be evident, making these two agent-types *complements*. Yet, between in-house public affairs agents and external public affairs agents competition appears to be evident, depending on the degree of professionalisation of in-house public affairs. In other words, the thesis shows that companies rely on external public affairs agents particularly when their own in-house public affairs departments are still developing, however, with the advancing professionalisation and expansion of in-house public affairs, external public affairs agents tend to be increasingly *substituted*. Consequently, one might argue that this finding reveals

a trend in EU corporate public affairs from multi-agent use towards dual-agent use. However, as the interview results reveal an increasing relevance of ad-hoc platform-like alliances, the thesis hence demonstrates the emergence of a potentially new public affairs agent which has not been identified as such in previous literature. Thus, by revisiting the multi-agent approach, the thesis ultimately shows that the use of multiple public affairs agents remains an essential part of EU corporate public affairs, even though its characteristics change over time.

7. Conclusion

Corporate influence on policy- and decision-making processes has been an essential part of the European political system since the early beginnings of institutionalised European integration. However, the way companies seek access to the EU institutions and its representatives has changed fundamentally over time. For many decades, corporate political action was mainly conducted by associations, making organised, collective action the dominating form of European interest representation. Nowadays, this has changed: Due to both institutional as well as socio-political transformations in the EU system, companies started to embrace also other, non-collective forms of interest representation, giving rise to what is today commonly known as ‘public affairs’. As observed by a number of scholars, in recent years the pattern appears to be evident that companies use three distinct types of so-called public affairs agents to influence EU policy- and decision-making processes: in-house public affairs agents, external public affairs agents, and associations. As only little is known on the company-internal roles and functions of these multiple public affairs agents, the presented thesis answered the following research question: *Why do companies use multiple public affairs agents to influence policy- and decision-making processes in the European Union?*

Similar to Michalowitz (2004), the thesis concludes that companies use multiple public affairs agents to increase their potential of influencing EU policy- and decision-making processes. Furthermore, this thesis finds first, that in-house public affairs agents nowadays fulfil an extensive *coordinating function*: On one hand, they fulfil company-internally the function of coordinating the company’s public affairs strategies with both the management board as well as the technical departments. On the other hand, it is also in their responsibility to coordinate activities with the other public affairs agents—external

consultants and associations. This constitutes a novel finding, as it updates existing knowledge on the relationship of companies to its different agents: While the three public affairs agents appeared to be on equal footing in previous literature, the thesis shows that in-house public affairs agents nowadays take on a central role in EU corporate public affairs. Second, the thesis further shows that between in-house public affairs agents and associations, a ‘division of labour’ still appears to be evident, making these two agent-types *complements*. However, with the advancing professionalisation and expansion of in-house public affairs, external public affairs agents tend to be increasingly *substituted*. This finding likewise constitutes a novel contribution, as it shows that compared to 15 years ago, nowadays indeed competition exists between in-house public affairs agents and external public affairs agents. Nevertheless, these patterns shall not lead to the conclusion that a trend from multi-agent to dual-agent use exists. As the thesis additionally reveals the growing relevance of ad-hoc platform-like alliances as a potentially new type of public affairs agent, it concludes that the use of multiple public affairs agents remains an essential part of EU corporate public affairs.

Despite the thesis’ rather limited scope, its findings appear to be promising and should be validated by a larger sample size. In this regard, future research would benefit from including companies from different industrial sectors, for example from the agricultural or pharmaceutical industries. In addition, the study could be extended to other EU member states in order to strengthen the consistency of the findings. Furthermore, the thesis suggests the following direction for future research: Continuing to revisit the multi-agent approach, a promising research focus appears to be ad-hoc platform-like alliances which have been identified as a potentially new form of public affairs agents in this thesis. Suggested emphasis may lie on questions concerning the initiators of such alliances, their participating actors, the specific functions these alliances may fulfil, as well as their relationship to the remaining public affairs agents. Ultimately, it is of utmost relevance to have profound knowledge about non-democratic actors aiming to influence EU policy- and decision-making processes. Particularly, gaining insights about companies’ behaviours and attitudes regarding the deployment of multiple public affairs agents will contribute to a better understanding of companies as political actors in the European Union.

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