

The political embeddedness of international business networks

Catherine Welch¹

University of New South Wales

and

Ian Wilkinson

University of New South Wales

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¹ Catherine Welch, School of International Business, University of New South Wales, Sydney 2052, AUSTRALIA. Fax: +61 2 9313 6775, phone: +61 2 9385 5882, email: c.welch@unsw.edu.au.

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1. Introduction

In an assessment of the network approach, Hellgren et al. (1993, p. 89) argue that IMP network literature ‘is rather weak in the contextual structure around the focal network’. In focusing on inter-firm linkages, industrial network research tends to ignore what Halinen and Törnroos (1998, p. 191) term ‘the broader contextual setting in which both actors and dyads of actors are embedded’. This is perhaps one element which was lost in the shift from the ‘first-generation’ interaction model to the ‘second-generation’ AAR model. Unlike its successor, the interaction model includes the interaction environment as well as interaction variables (parties, process and atmosphere). While some comparative studies across interaction environments were undertaken (eg. Campbell 1985; Hallén & Johanson 1990), there was a tendency to reduce environmental variations to differences in national culture and political factors were not considered.

In the AAR model, environmental factors beyond the inter-firm interactions in a network are often eliminated completely. Thus while Johanson and Mattsson’s (1991) version of the AAR model includes the ‘institutional setting’ as the framework within which an industrial system is embedded, a subsequent discussion of the model (Johanson & Mattsson 1992) omits this dimension. As Hadjikhani and Sharma (1999, p. 245) argue, a reading of first- and second-generation IMP theories shows that ‘[t]he political environment is treated as an implicit factor having impact on business interactions. Business behavior is explained only by reference to business actors’.

This imbalance is being rectified by a growing number of ‘third-generation’ researchers who have revisited the concept of ‘embeddedness’. For example, Halinen and Törnroos (1998) propose that embeddedness can take a variety of forms including temporal, spatial, social, political, and technological. This paper is concerned with one type, namely the political embeddedness of business networks. In recent years, research into the political embeddedness of business networks has been steadily accumulating. Such research contributes to our understanding of inter-firm relations by showing that ‘delimitation of political actors from business transactions leads to conclusions far from the business world’ (Hadjikhani & Sharma 1995, p. 13). In this paper, IMP research on political embeddedness is reviewed and synthesised. The concept of political embeddedness is then elaborated by means of the analysis of a longitudinal case study.

2. Literature review

Political embeddedness, as formulated by existing IMP research (Table 1), can take four forms: political settings, political actors, the political activities of firms and political resources. These represent, as it were, the ‘political’ AAR framework. As the political settings for networks, governments provide ‘a framework of rules and regulations within which private actors have to play’ (Salmi 1995, p. 68). Research into political settings has focused on the effects of what Hadjikhani and Håkansson (1996) term ‘political turbulence’; that is, discontinuous change to macro-political structures. Perhaps the political change to have received most attention has been the revolutions in Eastern Europe 1989-1991 which set in train the transition to market economies in this region. This change has had diverse effects: some firms have responded to the perception of new opportunities by developing networks in these markets (Ghauri & Henriksen 1994); while firms who were already exporting to the

region have needed to adapt their existing networks as privatisation has created new competitors and customers, as well as new rules for interaction (Salmi 1995).

Forms of embeddedness	Effects	Examples
E1. Political institutions	changes in political systems and politico-social values	political turbulence; environmentalism; regionalisation
E2. Political actors	network facilitation and disruption by governments	Bofors scandal in India; infrastructural networks
E3. Political activities	lobbying, publicity	MNE involvement in Indian industrial policy implementation
E4. Political resources	legitimacy	

Table 1: Forms of political embeddedness

A second issue associated with political settings is the rise of new political and social values, notably environmentalism. Alajoutsijärvi and Uimonen (1995) propose that the influence of environmentalism be analysed as a ‘politico-social network’. The rise of the ‘green’ movement in Europe has had profound effects on the use of raw materials, product development and firm competitiveness (see also Håkansson & Waluszewski 1996). To illustrate some of these effects, Alajoutsijärvi and Uimonen (1995) examine how the Scandinavian pulp and paper industry intersects with the German environmental network. This politico-social network includes the Department of the Environment, research institutes, media and environmental groups. It has different values and perceptions of reality than business networks in the paper industry, resulting in misunderstanding and conflict. Yet to

improve its export performance the Scandinavian pulp and paper industry needs to learn to speak the 'language' of the environmental network.

A third environmental issue that has been identified concerns the effects of regionalisation, specifically the European Union (EU). The EU's Single Market programme in the 1980s was a stimulus to research in that decade (Johanson & Mattsson 1991). A more recent EU development, Sweden's accession in 1995, is analysed by Elg and Johansson (1996). They identify a range of network effects on the dissolution of national boundaries triggered by Swedish membership. As a result of Sweden's accession, firms would be able to 'extend' their existing national networks, forming relationships with new customers and suppliers; in addition they would be able to form synergistic ties with firms at the same level in the distribution channel. At the same time, however, firms would face new competition in the domestic market, and they would need to consider forming alliances with potential competitors.

The role of political actors in industrial networks is another aspect of embeddedness. Political (or 'institutional') actors include bureaucrats, government ministers, members of parliament, opposition parties, interest groups and the media (eg. Hadjikhani & Håkansson 1996). Political actors can help form or change the business network with which they are connected through facilitating or disruptive activities. Hadjikhani and Håkansson (1996) discuss the effect of the Bofors scandal on other Swedish firms present in the Indian market. They identify the network of interdependencies that caused the crisis in the focal relationship – the linkage between Bofors and the Indian government – to spread to other firms in the network. Thus Swedish firms which had dealings with the Indian government – such as Ericsson – found the environment more hostile and agreements with their Indian counterparts

difficult to reach. While the Bofors case is one of disruption, Hallén (1992) discusses the facilitating role of non-business actors in what he terms 'infrastructural networks', which are the social ties of a particular organisation or person in a business network. Infrastructural networks are not directly related to a specific purchase or sale, but they are important vehicles for information, communication and influence. Within such networks, non-business actors such as government officials and trade union leaders 'may be as important as the business relationships, and represent important assets to the firm' (Hallén 1992, p. 79).

Discussion of the political activities of firms – a third form of embeddedness – focuses on the role which businesses play as lobbyists of governments and influencers of public opinion. In this way, firms 'become involved with the political system' (Halinen & Törnroos 1998, p. 196). As Harris and Lock's (1995) study of corporate lobbying activity in UK industrial markets details, firms attempt to forestall, help formulate and respond to a variety of government actions, such as purchasing and legislating. Corporate political activities take place at all stages of the legislative process, from the formulation of policy to its implementation (Jansson et al. 1995). Companies may engage in lobbying efforts on their own or join forces with competitors, while companies also face a decision about what autonomy they give to subsidiaries to manage relations with local governments.

Some research has been conducted into the political activity patterns of MNEs and SMEs. In their study of government-MNE networks in India, Jansson et al. (1995) find that such networks consist mainly of contacts between a small number of middle- to high-level subsidiary management on the side of MNEs, and middle-ranking bureaucrats on the side of the government. These contacts are frequent, dominated by information exchange, and are marked by high levels of social interaction and trust which are built over the long term. While

the Indian study focuses on MNEs, Hadjikhani and Ghauri (1999) compare the activities of Swedish MNEs and SMEs in managing their relationships with the EU. The activity patterns of MNEs and SMEs were found to vary along three dimensions: degree of commitment, knowledge and major activities. The MNEs studied made significant organisational investments, establishing offices in Brussels, while SMEs relied on contacts through political 'intermediaries' such as chambers of commerce. MNEs showed high levels of political 'knowledge', while SMEs showed a lack of familiarity with the EU system and the psychic distance separating them from Brussels was high. MNEs and SMEs also differed in terms of the focus of activities, with MNEs influencing the political agenda at an early stage, while for SMEs the issue was rather how to adapt their existing process to fit EU rules. The MNEs studied are found to be 'proactive' participants in the political system, rather than just 'followers' of the political rules.

The political resources that firms hope to gain from this political activity are manifold. Governments are the source of a wide range of goods which potentially benefit firms: public sector contracts, licences and approvals; industry policies and legislative measures; support in the form of tax concessions, tariffs and other protectionist measures; funding for research and development and regional development, and so on (see eg. Hadjikhani & Sharma 1996). In addition, governments are an important source of information for firms. More fundamentally, firms act politically in order to achieve legitimacy (Jansson et al. 1995). Firms depend not just on 'technical' or 'business' legitimacy, or in other words, their performance in terms of traditional business measures such as profit and market share; they also need to attain 'institutional' legitimacy by justifying their performance in terms of prevailing political norms and values (Jansson et al 1995; Hadjikhani & Sharma 1999).

True to the IMP tradition, research on the political activities of firms by ‘third-generation’ theorists takes a network view rather than focusing on individual, unitary actors. The networks are intra- as well as interorganisational, disaggregating both government and firm. When discussing the role of government, Jansson et al. (1995) identify two types of actors: political and administrative; in addition, they distinguish between headquarter and subsidiary operations. Similarly, Hadjikhani and Håkansson (1996, p. 441) reject a ‘homogeneous’ view of political actors. They too argue that bureaucrats ‘have an identity of their own’ which is separate to that of the government of the day. A firm-government network may also include inter-firm linkages; for example, Hadjikhani (2000) finds that competitors may cooperate in their lobbying efforts.

In seeking to explain political embeddedness, some IMP research (eg. Salmi 1995) has drawn on alternative traditions, such as institutionalism. Institutional theories analyse the ‘rules of the game’ of societies and organisations, and suggest that social action and organisational life align themselves to, or become isomorphic with, these rules. Another tradition, that of policy networks, has been discussed by Araujo and Easton (1996) but not directly applied to the analysis of political networks. Policy networks is a tradition in political science that centres on the pattern of relationships that develops between government and private interest actors during the policy process. A key finding from this literature is that different kinds of political networks develop, depending on their configuration of membership, integration, resources and power. At one end of the spectrum are ‘policy communities’, that feature stable relationships based on frequent resource exchanges among a closed membership whose interdependence ensures a high degree of influence over policy-making. At the other end of the scale are looser formations of ‘issue networks’, that have a

large, fluctuating membership with unequal resources and irregular access to political decision-making (eg. Marsh & Rhodes 1992).

To conclude, existing literature on political embeddedness represents a useful starting point for research into the political dimensions of business networks. It provides a counterpoint to IMP research which either excludes political actors altogether, or records but does not seek to explain their presence in a network. However, some gaps and conceptual challenges remain. Firstly, the emphasis of much research to date has been on the ‘non-economic’ roles of political actors and the ‘non-economic’ nature of political resources; however, political actors need not be limited to such roles, and can also be in command of economic resources. Secondly, the discussion of the political activities remains limited to forms of lobbying, yet the literature on policy networks suggests that other activities and patterns of firm-government cooperation are possible. Finally, there has been no comparative study of political settings, making it difficult to understand how different institutions affect the formation and behaviour of networks. These issues will be explored in the following sections through the analysis of an in-depth case study.

3. Methodology

A case study was undertaken to investigate the different forms of political embeddedness of international business networks. The development of a company’s primary international networks was tracked over a 50-year period (1951-2000). Two main data collection strategies were used: 36 in-depth interviews and the analysis of material from 7 archives in two countries. Interviews were conducted with employees from the focal firm, but also from other organisations (both firms, governments and other political actors) in its key networks. This

represented the main form of ‘within-method’ triangulation, while the comparison between archival and interview data allowed for ‘between-method’ triangulation.

The company selected was a sugar exporter and, at least in the period under study, the sugar industry was notable for the extensive involvement of governments around the world. The case therefore represents a ‘critical’ or ‘polar’ case in which ‘the process of interest is transparently observable’ (Eisenhardt 1989). The longitudinal nature of the study enabled us to gain insight into the dynamics of interaction between firms and governments, and the formation, transformation and dissolution of networks over time.

4. Case analysis

The focal company, CSR, was not just Australia’s largest sugar producer; it was also, in the period under study, the export marketer for the country’s entire sugar crop. Its role as export marketer was carried out under contract to the Queensland Government, which by law acquired all sugar produced in that state, and which also bought any sugar produced in other parts of the country. Australia’s sugar industry had made its first forays into international markets before World War II, but its real international expansion took place in the post-war period, with exports overtaking domestic sales by 1960. The industry’s first, and for a long time its major, export market was Britain. CSR, along with other Commonwealth exporters, signed an agreement, the Commonwealth Sugar Agreement (CSA), in 1951 to supply a major proportion of Britain’s sugar needs at ‘reasonable remunerative’ prices, and the agreement was only terminated in 1974. Despite the security represented by the CSA, CSR soon expanded its geographical scope. It began exporting to Japan in the 1950s and made its first trip into China before the Australian Government had established diplomatic relations with Beijing. In this paper, we will focus on CSR’s two major markets in this period - the UK and

Japan - and also discuss the international organisations (the EEC and the International Sugar Organisation) which had the most impact on the company's operations. We now turn to the findings from our analysis of CSR's networks, which will be discussed in terms of the 'political' AAR framework.

Political actors

Political actors may take direct 'economic' positions in a business network; in other words, they may act as the buyer, seller or intermediary in a business exchange. This was the case in a number of countries in which CSR operated. For example, under CSA arrangements the company sold sugar to the British Ministry of Agriculture, Fisheries and Food (MAFF), not to the refineries that ultimately processed the sugar. Political actors may also have an indirect economic position in a business network: CSR itself was the agent of a political principal, the government of the state of Queensland. Another type of indirect economic position is that of competitor, with the sugar industry dominated by government-owned marketing boards in the period under discussion.

At the same time, business actors are themselves political actors, and make decisions about their political position. Some business actors take an indirect position in relation to political actors and relationships, and deliberately limit their involvement by not developing these connections. Others are more proactive, and make considerable investments in establishing and developing their political position. While Hadjikhani and Ghauri (1999) suggest this may be a function of firm size, it is also the result of a firm's 'network theory' (Johanson & Mattsson 1992); in other words, its interpretation of the role of political actors in its networks. In the 1950s-1970s CSR was convinced of the need for government involvement in providing stable returns for the sugar industry. Senior managers were used to develop close

cooperation with government at home, and were prepared to invest similar amounts of resources and effort into cultivating their relations with foreign governments. The company aimed to become policy ‘insiders’ in key markets, with direct participation in policymaking. However, as moves towards government deregulation accelerated in the 1980s, the company began to question the high degree of government control over production and marketing in the industry. CSR itself began to scale back its political commitment and reevaluate its previous network theories about the role of government. At the same time, government was also reexamining its own role. A period of industry reform culminated in CSR relinquishing its role as export marketing agent to a new organisation that is industry owned rather than under contract to government.

A business actor’s political position depends also in part on its existing inter-firm relationships. These relationships can often prove critical in developing the firm’s political position. Customers, suppliers and even competitors can prove to be important political allies and opponents. In CSR’s case, it found critical support from the other Commonwealth sugar exporters who were part of the CSA. The exporters set up a system of committees and working groups, later formalised as an association, that ensured that they were able to present a united front to the British Government in negotiations about the CSA. The exporters also established a permanent liaison office in London, which acted as a policy and intelligence unit, producing briefings, news summaries and policy recommendations; kept in regular contact with British officials; maintained links with other industry groups; and undertook public relations on a modest scale. Cooperation was seen as necessary, since the exporters had formidable political opponents from within the ranks of government departments, from local beet farmers who would have preferred an increase in beet quotas rather than continued subsidisation of Commonwealth cane imports, and from industrial users of sugar, who were

aggrieved that the price-setting system of the CSA resulted in higher sugar prices than were, in most years, obtainable on the world market.

Political activities

As suggested by previous IMP research, lobbying was an important component of CSR's political activities. The company engaged in two major lobbying campaigns in the period under review. These campaigns were highly complex, involving not just face-to-face representations to a range of decision-makers at the political and official level, but also the formation of new relationships and adaptation of old ones, and the direct appeal to public opinion. The first campaign took place in the early 1970s, when the company was trying to preserve its access to the British market in the event of Britain's membership of the EEC. The company lobbied British MPs in a unilateral effort, and also encouraged the Australian Government to make representations at the official level. However, more important was its existing cooperation with the other Commonwealth exporters, whose London liaison office became the headquarters of an increasingly public campaign. The exporters continued to enjoy close relations with the chief refiner of cane sugar and with government officials, particularly MAFF, but unfortunately for them decisions about the future of Commonwealth sugar were being made by an unsympathetic Foreign Office and by Parliament, which was to vote on the Treaty of Accession to the EEC. In order to sway public opinion and influence the voting intentions of MPs, the association formed relationships with a range of interest groups: the World Development Movement, a coalition of church-based pro-development groups; trade union committees representing refinery workers, whose jobs were at risk if Britain's imports of cane sugar were reduced; and 'anti-marketeers' such as the Common Market Safeguards Campaign, which opposed British entry to the EEC. The campaign succeeded to the extent

that developing Commonwealth countries were granted an exception to the 'Community preference' rule on sugar, but Australian sugar was excluded from the British market.

The second major lobbying campaign undertaken by CSR took place in Japan in 1977, when CSR became embroiled in a contractual dispute with the local refining industry. CSR and the refiners had signed a long-term contract for the supply of sugar at a fixed price at a time when world sugar prices had hit an all-time high. The Japanese Government had been party to the negotiations and had backed the contract with an exchange of letters with its Australian counterpart. The expectation was that the contract would represent the starting point for a period of reforms to the ailing refining industry in Japan, and that the Japanese Government would introduce legislative change in order to restructure the industry and integrate the contract into its domestic sugar regime. However, while tensions between the refiners and CSR mounted as the world sugar price dropped, with the refiners eventually refusing shipments, the Japanese Government still did not act. CSR refused to back down and in fact escalated the dispute by continuing to send ships laden with sugar to Tokyo, maintaining public pressure on the Government and behind the scenes engaging in intensive rounds of negotiations with key government officials and industry players. The contractual dispute was finally resolved when the legislative impasse was broken, but the Japanese Government never fully implemented the reform measures that CSR and its local allies had been advocating.

While the focus of previous IMP research has been on lobbying, the CSR case suggests three additional political activities that firms may engage in: policy-making, policy learning and international diplomacy. Policy-making occurs if a firm has established and routinised participation in policy decisions, at all stages from policy formulation to

implementation. As policy insiders, CSR and other Commonwealth exporters in Britain had a right to consultation on matters affecting the industry, and succeeded in having opposing views (such as those of industrial users) marginalised. They had regular working parties with MAFF officials that served as forums for information exchange and decision-making. Policy-making is distinct from lobbying because firms have routine access to decision-makers and have a direct input into the shape and direction of policy. Policy-making is the activity of a political ‘insider’ that has become the partner of government. Policy-making is an indication that, to use the distinction developed in the policy network literature, a ‘policy community’ rather than ‘issue network’ has developed between firm and government actors.

A second political activity is that of policy learning: developing understanding about different political environments (cf. Eriksson et al. 1997). Policy learning was an integral part of CSR’s accumulation of ‘experiential knowledge’ (Johanson & Vahlne 1977) about overseas markets. It involved identifying important decision-makers, understanding the process of policy formation and reform, adapting to the country’s institutional setting, keeping informed about policy changes, and developing strategies to maximise its influence. One period of intense policy learning for CSR and other Commonwealth sugar exporters took place in the period leading up to and following British accession. British membership of the EEC entailed the transfer of sugar policy-making from London to Brussels. The exporters quickly learned that while the European Commission proposed, the Council of Ministers composed of member governments disposed. They realised that the implications were that in order to have any influence in the EEC, they would not be able to confine their political representations to Commission officials.

The third political activity, international diplomacy, refers to the company's efforts at the multilateral level. For much of the post-war period, the world sugar trade was governed by a series of International Sugar Agreements (ISAs) that sought to stabilise world sugar prices. The ISA was signed by major sugar exporting and importing nations, and was administered by the International Sugar Organisation (ISO). CSR put a high commercial priority on the negotiation of viable ISAs, since it regarded a functioning international agreement as the best assurance of stable returns to the industry. CSR's active support for ISAs led it to take a direct part in each stage of the negotiation of ISAs, a role that took it beyond its official title of 'industry adviser'. At the preparatory stage (stage 1), CSR lobbied governments and industries to support an ISA, and participated in the preparation of a draft agreement by serving on ISO working groups. The next stage (stage 2) involved the preparation of a negotiating brief for the Australian delegation to an International Sugar Conference. In practice, this was a joint effort between CSR and the Department of Trade, with CSR providing recommendations on Australia's negotiating position as well as industry analysis. Stage 3 – negotiations at International Sugar Conferences – required the most intense involvement. CSR sent a large contingent, headed by some of its most able senior managers, as part of the official Australian delegation. CSR managers played an active part on the committees and working parties that were the scenes of the toughest negotiations. The final stage of the ISA process, that of implementing an agreement (stage 4), involved CSR introducing any changes necessary to enable Australia's compliance with the ISA, and taking part in ISO meetings with the aim of ensuring the smooth operation of the agreement. Each stage involved the development of relationships with the delegations of other countries, particularly other exporting countries such as Cuba.

Political resources

In common with previous IMP research, the CSR case illustrates the importance of legitimacy as a political resource. In fact, the case suggests that without a high degree of legitimacy, firms will not be able to act as political ‘insiders’. The company’s access to the British market was for a long time underwritten by the British Government’s commitment to the CSA as a cornerstone of its responsibility to (and continued influence over) its former and present colonies. For a long time, the CSA was upheld as a model arrangement that ensured the impoverished sugar-dependent countries would receive a stable and ‘reasonably remunerative price’ for their most important export. However, this defence of the CSA increasingly jeopardised Australia’s membership, since it was a developed country that obviously did not need subsidising. CSR’s political legitimacy was therefore undermined, despite the fact that in commercial terms it was regarded as Britain’s most efficient and reliable sugar supplier.

Apart from legitimacy, the other resource sought by CSR was that of price stability: a commercial resource that would be delivered by government. A significant motivation for CSR to invest heavily in developing its political position was its assessment that only governments could guarantee stable and remunerative sugar prices over the longer term and protect the Australian sugar industry from the extreme volatility of the world market. As the Australian sugar industry expanded in the post-war period and exports overtook domestic sales, the industry’s exposure to world prices, which periodically fell below the costs of production, only increased. CSR deliberately involved governments in its contracts, and accepted, in the words of one manager, that this would come at the cost of ‘political expediency’ occasionally overriding ‘commercial commitments’.

A firm’s structuring of its network relationships can prove to be in itself an important political resource. This was clearly demonstrated in the case of the CSA network, since for

many years the sugar exporters proved successful in blocking attempts to reform an agreement that had been so favourable to them. Government files from the period demonstrate that powerful interests within the British Government, particularly the Treasury, opposed the CSA from the 1950s onwards, yet the Government continued to extend the agreement on an annual basis and struggled to implement reform. The configuration of the Commonwealth sugar exporters' political and business relationships formed a 'policy lock' on the British Government, preventing reform to sugar policy. The Government found itself limited by the institutionalised cooperation among the exporters, which meant they presented a united front in negotiations, and made up each other's quota shortfalls to ensure sugar deliveries; the internal policy conflict among government departments, which saw the Treasury pitted against supporters of the CSA such as the Colonial Office; and the stability in marketing arrangements that was achieved between the exporters and British refiners.

Political institutions

CSR was active in five different institutional settings, with its networks spanning three countries (Australia, Japan and the UK) and two transnational organisations (the EU and ISO). These settings varied across four institutional dimensions: sovereignty, policy style, ideology and institutional mix. To take the first institutional dimension, sovereignty, a political system varies depending on whether there is a single, centralised authority which exercises policy-making power. In national systems such a central authority exists; in a multipolar system such as the EEC, power is shared between member governments and supranational institutions; while in the intergovernmental ISA a central authority did not exist, since the ISO had only administrative powers.

Secondly, the dominant policy style, or traditions of firm-government interaction in

policy-making, varied. In Britain the policy style was departmentalist, in that policy was the outcome of conflict among government departments, each of which was sponsoring different interests; in Australia during much of the post-war period it was cooperative, in that government saw its role as being the partner of firms; in Japan the policy style was consensual, demanding agreement among all interested parties; while in the ISA it was compromising, tailored towards finding a deal acceptable to the greatest number. The third institutional dimension is the dominant ideology. In Australia, protectionism was succeeded by neo-liberalism, while in the EEC 'Community preference' excluded Australian sugar; in Japan a free trade policy on agricultural imports prevailed; in Britain, post-war policy was dominated by a neo-colonial outlook. The fourth element of a policy field is its institutional mix. These might include government departments, parliaments, federal and state governments, and, in the international arena, international bodies such as the European Commission and ISO Secretariat.

These institutional dimensions matter because they influence the ways in which political relationships and networks develop. For example, the departmentalist policy style in Britain, which pits one department against another as each seeks to advance the interests of its own policy sector, was one factor that contributed to the Commonwealth exporters' 'policy lock'. In Japan the consensual policy style represented a significant barrier to change, with CSR and its allies manufacturing a commercial crisis in order to force political action. In the case of sovereignty, the lack of a single sovereign power in the ISA and EEC also had an impact on the evolution of networks. In the ISA, the diffused nature of power meant that networks were unstable and shifting, responding to shifts in the policies of member governments. In the case of the EEC, CSR and its fellow Commonwealth exporters proceeded

to form dual links to both member governments and to the European Commission and Parliament.

5. Conclusion

The CSR case demonstrates both the depth and breadth of the political embeddedness of firms and their networks. While the political salience of the post-war sugar industry means that CSR represents a ‘polar’ case, it does suggest that further research into each aspect of the political AAR framework is required. CSR’s political activities and resources are of a scope and nature that is rarely captured in existing IMP research. The CSR case also suggests that the ‘political embeddedness’ construct will need further elaboration, given the multifaceted nature of this company’s political involvement.

We can summarise the main types of networks involved in the analysis of the political embeddedness of business networks in terms of three interconnected types of networks, each with its own actors, activities and resources. These are (a) *inter-business networks* that are the dominant focus of analysis in IMP research and within which government actors can play specific economic roles as buyers (eg. government purchasing and projects, price support scheme buyers), suppliers (eg. state-run business), intermediaries (eg. inventory holders); (b) *government-business networks* within which government and business interact with each other in various ways in developing, influencing and implementing policy, including lobbying, issue networks and policy communities; and (c) *inter- and intra-governmental networks*, which focus on the actors, activities and resources involved in the direct and indirect relations in the government domain, including ministries, departments, state and federal bodies and individuals within and across countries and multilateral agencies. The last type of network and

how it is connected to business-government networks is perhaps least well understood, although research in political science has addressed some of these issues. It is however an important element of our understanding.

Importantly, analysis of the CSR case strongly suggests the interpenetration of political and business processes in networks. Political actors took economic positions in the network, while business actors took on policy-making roles; in other words, actors occupied ‘mixed’ positions (see Figure 1). Political activities were undertaken for commercial outcomes, and business relationships were transformed as actors took joint political action. Commercial relationships formed an important political resource, yet at the same time commercial resources were underpinned by political ones. In the post-war sugar industry it was difficult to distinguish between a ‘marketing’ and a ‘policy exchange’. Marketing arrangements were seen as a way of achieving particular policy objectives of government. At the same time, government involvement in marketing efforts was seen as vital to commercial objectives. In this industry, it was impossible to analyse inter-firm relationships without reference to political relationships, and vice versa.

Figure 1 about here

However, as well as analysing the three types of networks, it is important to understand their interconnection. This paper, then, distinguishes between policy communities and issue networks as two different forms of connection between political and business actors

(Figure 1). Moreover, the political environment has its own institutional path-dependence, or causal texture (Emery and Trist 1965), that determines how actors, activities and resources are interconnected and the position of different actors in the network. This in turn shapes the way the network is affected by and responds to interactions with business networks both directly and indirectly.

In this increasingly globally interconnected world of business and government an understanding of the ways business networks are embedded in political networks and the nature of such political networks are surely an important part of IMP interest and research. Moreover, the increasing prominence of transnational organisations suggests that this represents a new domain for the political activity of firms. As firms and governments redefine themselves, so too will the relations between them, suggesting that this remains an important dynamic for change in networks.

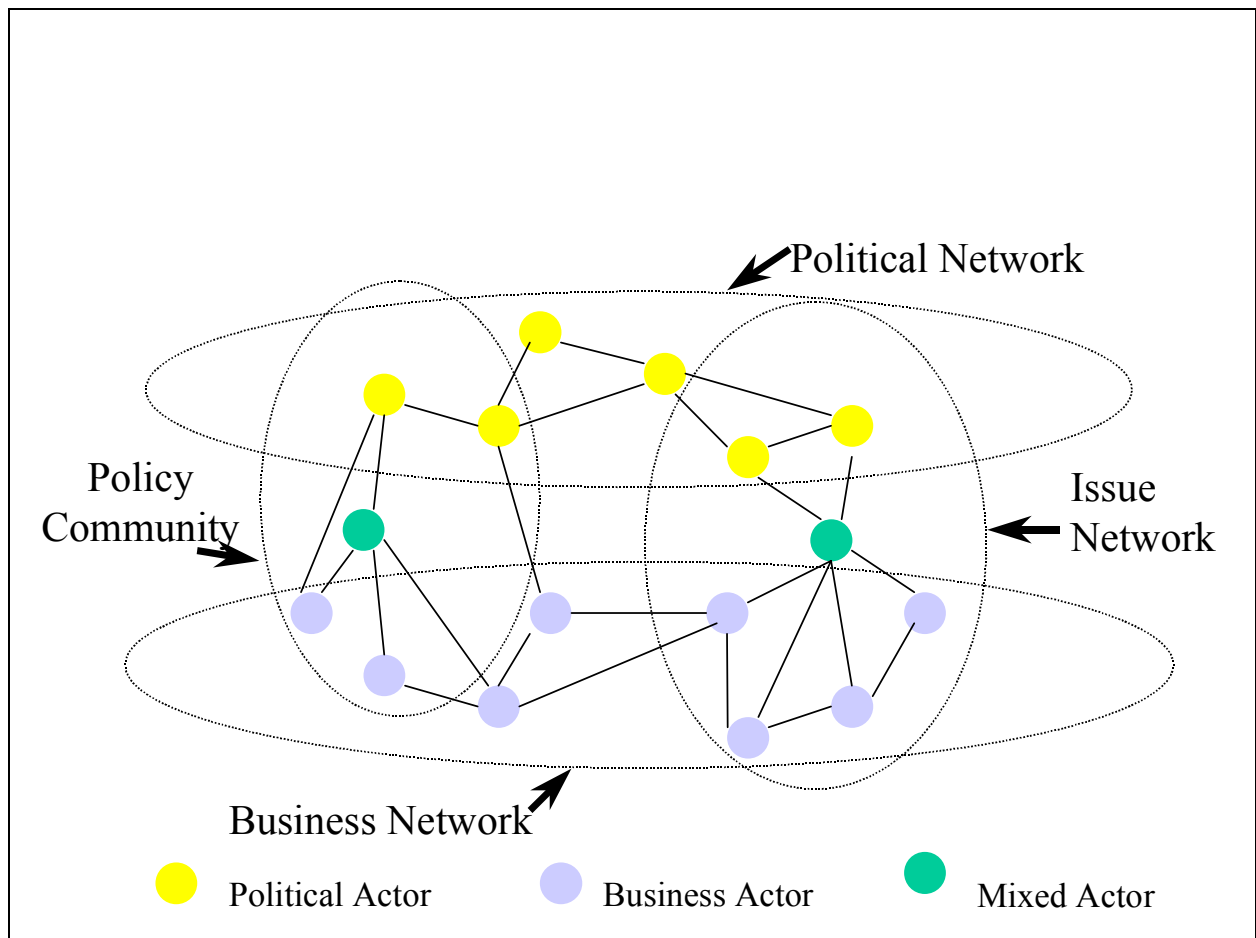


Figure 1: Connections within and between political and business networks

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