

**22nd Industrial Marketing and Purchasing Group Conference
2006 Milan, Italy
Paper submission**

Competitive paper

Business Actor in the Political Network

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Keywords: Network contexts, political actors, legitimacy, interaction, European Union (EU)

Abstract

Within the IMP tradition networks consist of interactions between business as well as political actors (c.f. Anderson et al 1994; Håkansson and Snehota 1989; Håkansson and Snehota 1995; Snehota 1990). Although political actors are included in the network approach, the interactions between the business and political actors have been less emphasized. Political actors are often viewed as affecting the network contexts of business actors by regulating their behaviors. From an IMP network perspective the forming of rules and regulations is seen as a result of interactions within a political arena. As a firm simultaneously can be embedded and act in different types of network contexts (Granovetter 1985; Halinen and Törnroos 1998) implies that the firm will also be affected by the political contexts. It is therefore crucial to understand how rules and regulations are formed in the interaction between business and political actors. Firms' effort to influence on a political level is evident when the existing contexts are changed. Therefore, the main focus in this paper is to analyze and explain firms' interactions with political actors on an international level.

In the empirical part of the paper, we present a short case study based on qualitative research. The case deals with the effect of changing network contexts (both business and political) on the Federation of Swedish Farmers' (LRF) behavior and possibility to act as Sweden joined the EU in 1995. The decisions about the new rules and regulations in many areas are formally no longer been made by the Swedish Parliament, but by different institutions of the EU. As the political and economic contexts were restructured, one important consequence of this process is the mobilization of a growing range of political and economic actors with the aim of influencing policy at the European level (Laffan et al. 1999). EU is thus a facilitator of the growth of networks and groupings around the EU institutions,

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resulting during the years, in a system of complex interdependence and close relationships between European officials and European companies.

The actors within the business and political contexts most likely have different expectations on and perceptions of acceptable behavior within their context. One research stream dealing with the firm's behavior, and more specifically with the concept of legitimacy, is institutional theory (c.f. DiMaggio and Powell 1983/1991; Human and Provan 2000; Suchman 1995). Legitimacy is a perceptions held by other actors. It is formed through institutionalization of behaviors, resulting in norms, rules, regulations and perceptions on firm's behavior. In this paper we develop a theoretical model and the article contributes by addressing the interface between embeddedness in different network contexts and legitimacy from a theoretical perspective. Considering the concept of legitimacy within the network approach contributes to a more profound understanding of a firm's behavior, i.e. besides the resources the firm has, others perceptions of legitimate behaviors is a condition explaining the firm's possibilities to act.

Introduction

Networks are fundamental characteristics of modern industrial societies and the context in which business is conducted is subject to rapid change. The change that occurred in Europe in recent years has been dramatic in terms of political, economic, legal, social issues resulting in the transformation of the business environment. In the emerging European business environment the national economies are increasingly interconnected and interdependent. The national economic policies are more coordinated and the regulatory regime to which business is subjected to is more European. Therefore it is important to also consider the European political dimension along with the national political environment as a focus of business activity. In other words, many of the laws, rules and policies which govern and shape economic and business activity in the EU are now determined at European rather than national level.

One of the main responsibilities of the governments is to lay down the laws and standards in a society. Some of these laws and standards are directly or indirectly influencing the conduct of business activity. Through the laws and standards the government wishes at one hand to improve the functioning of the market and on the other hand they wish to provide protection to those actors who are active or are affected by the market. The extent to which the business is subject to regulation varies both between countries and between sectors. (Nugent 1994) Thus, business and politics are interdependent and interactive implying that beside economic rivalry, firms also compete for political influence (Jansson et al 1995). Although political actors are included in the business network approach, the interactions between the business and political actors have been less emphasized. Political actors are often viewed as affecting the network contexts of business actors by regulating their behaviors. Firms' are in a sense forced to collaborate with some new actors in order to maintain and create competitive market oriented conditions in order to survive, resulting in changed composition of the actors within the network.

Considering the above one important question is who (which actor) gets access to the political arena? How can we explain business engagement in politics? What determines the political behavior of business? A spontaneous answer could be that the actor that is seen as a "good citizen" or in other words, is perceived as legitimate in the eyes of government will get easier access to the political network. This is achieved by adapting to various demands of the environment and government. Is it so simple? The demands however can also be influenced through the actors' interaction processes within a certain context as predicted by the business network approach. What is legitimacy than and how can a business gain legitimacy?

Legitimacy is a perception held by other organizations, which evaluate the firm's behavior. These perceptions can be common but at the same time vary between different actors. Legitimacy is formed through institutionalization of behaviors, resulting in e.g. norms, rules and regulations conditioning values, and perceptions on firm's behavior within a context. One arena where the institutionalization of behaviors takes place is the political arena. We argue that it therefore is important to study the interactions between business and political actors as this also influences the behaviors of the firms. In business studies, the political context is often seen as a given market condition and a source of uncertainty, treating the institutional environment as external to the firm (cf. among others contingency

theory (Lawrence and Lorsch 1967)). However, some recent studies argue that firms' political behavior affects their market position and that firms are able to influence their political context. (see for example Ring et al. 1990; Boddewyn 1988). This paper will illuminate the political activities of business actors in changing contexts, illustrated by an entry into the EU. From business research point of view, to analyze the political activities of business actors, the interaction between business and political actors (from legitimacy point of view) call for some new perspectives in the established models in the business research.

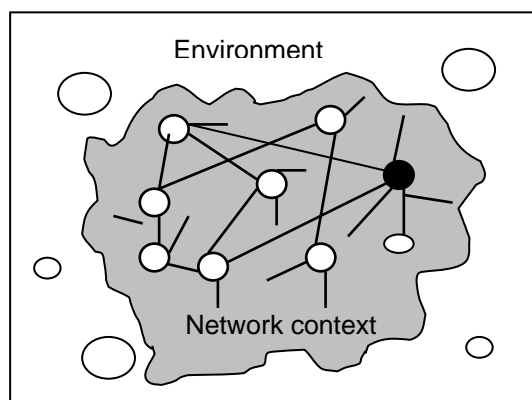
One of the reasons for implementing the concept of legitimacy is that in our view, legitimacy is the antecedent to relationship building. One approach focusing on interactions, relationships and adaptations between firms and organizations is the network approach. (Håkansson and Snehota 1989; Anderson et al. 1994; Uzzi 1997; Halinen and Törnroos 1998; Easton 1992). The concept of legitimacy, widely discussed in the institutional theories (Meyer and Rowan 1977/1991; Scott 1987/1991; DiMaggio and Powell 1983/1991; Deephouse 1996; Human and Provan 2000; Suchman 1995; Elsbach 1994; Ruef and Scott 1998; Pfeffer 1978/1989) has not been elaborated in detail within the business network approach.

From business research point of view, it seems logical to explicitly consider the interaction between business and political actors as the forming of rules and regulations concerning business activities primarily take place within the political arena. Simultaneously, as the firm supplies demanded resources, e.g. information, to the political actors, the firm's political relationships evolve. In the exchange processes the experience about the other part in the relationship increases as well as the knowledge about the exchange partner. In these exchange episodes expectations about the roles and responsibilities with the partner becomes clear and the exchanges may also become routines. (Ford 1980). Eventually these expectations and routine exchanges become institutionalized to such a degree that neither party questions them. The relationships are investments by the firms in order to gain economic benefits, decrease costs, reach higher revenues and/or increase the control over some other part of the environment. The interaction between business actors and political actors also affects the expectations and perceptions of legitimate behavior within certain contexts. The network contexts are critical issues to consider as has been argued by McGuire (1988). Business actors political activities as discussed above, e.g. within the EU, points out two aspects that seem important to take into consideration; the mutual dependencies between the actors and the dynamics of different contexts impacting firm's behavior. Given this, our purpose is to take these two aspects into consideration in order to examine in what way they can enhance our understanding of firm's behavior. Thus, the main focus in this paper is to analyze and explain factors influencing a firm's behavior and its possibilities to act in changing political contexts?

We organize the paper as follows, in section one we present a firm's network context and embeddedness as described in the business network approach in order to understand the concepts of context and interactions. In section two, in order to understand what contributes to firm's behaviors in addition to interactions in different contexts, we turned to the institutional theory where legitimacy and the institutionalization of behaviors are treated. In section three, we discuss similarities and differences between the two theoretical approaches ending up in our theoretical model presented in section four. Thereafter our arguments are illustrated and finally we present our conclusions.

The network context of the firm and its embeddedness

Fig. 1. Network context and environment



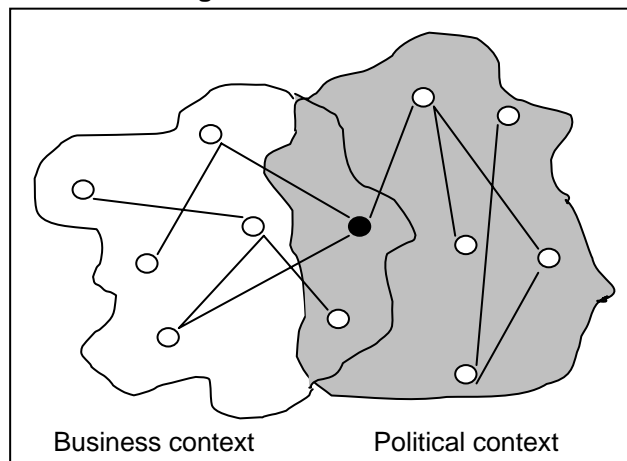
Organizations are engaged in constant interactions with other organizations in their environments, i.e. business firms transact with e.g. customer and supplier organizations, interacting on the national and international level with regulatory and legal authorities in order to access and exchange resources and information (Pfeffer 1978/1989). These exchanges are continuous interaction processes where the actors connected to each other through relationships are interdependent, forming a web/network of actors and relationships, (see figure 1) (Anderson et al 1994; Håkansson and Snehota 1989; Snehota 1990). Thus,

networks are viewed as consisting of nodes connected by relationships or linkages (Jansson et al. 1995). The actors perform activities and exchange resources with other actors and are thereby directly and/or indirectly connected.

The portion of the network seen from a single firm's point of view is what constitutes the firm's *network context*. As pointed out by theorists in the business network approach (Anderson et al 1994; Håkansson and Snehota 1989) a network context is a socially constructed reality of a firm in which it exist, and does so by "framing²" it (Håkansson and Snehota 1989). This network context is the focal firm's perceived portion of the network structure containing the relevant organizations/actors for the firm's activities and situations it confronts. The network context is specific for each firm, depending on the cognitions of the actor that is translated into behavior. (Snehota 1990) As a consequence of conducting business, the network context is continuously emerging, evolving and dissolving over time and are thus both seen as structures and processes (Anderson et al 1998; Anderson et al 1994; Snehota 1990). The actors beyond the boundaries of the network context consist of those actors that a firm cannot or has not yet identified, i.e. constituting the environment. These actors can only be described in terms of properties and attributes. (Snehota 1990).

A firm is embedded (Granovetter 1985) in different network contexts depending on which actors, activities or recourses are engaged, (see figure 2). Embeddedness can be temporal, spatial, social, political, market and technological embeddedness referring to a firm's relationships within various types of network contexts.

Fig. 2 Embeddedness



(Halinen and Törnroos 1998) Thus, a firm is embedded in and acts in different types of network contexts, which can exist simultaneously depending on the activities. The different structures are interconnected and have effects on each other meaning that what is happening in one context affects connected contexts. By being embedded in relationships, the embeddedness enables the firm to adjust and adapt its production and other activities to the actors within the different network contexts (Uzzi 1997). Embeddedness, defined by Scott (2003) as a bridging tactic, makes it possible for the firm to access information otherwise not possible in that the actors involved in long-term relationship commitments are more willing to share information than if the exchange was only short-term.

The conclusion offered from the above with respect to the network context and embeddedness is that the firm takes part in different network contexts simultaneously, depending on the purpose of firm's activities. The network approach suggests that the organizations within the network have both their own interests in mind and are part of a larger collective with a right to carry out tasks on behalf of the whole network (Jansson et al 1995). Thus, organizations both influence and are influenced by the network, which also has been pointed out by Scott (1983). Although describing relationships, the network approach does not explicitly take the institutional factors affecting the network context into consideration. Therefore we turn to institutional theory, which in the beginning also was one of the points of departure for the network approach.

Institutionalization of behaviors

The institutionalization of organizational behaviors is a consequence of competition and pressure from other organizations and the state leading to increasing interactions between organizations, where structures of inter-organizational domination and coalitions emerge. During this process, the organizations' awareness of each other increases as well as the load of information. When relations between actors emerge, expectations, perceptions, norms, values, rules and regulations are shaped

² Framing in the network approach can be resembled to enactment (Scott, 2003).

for how the exchanges between actors within that context should be conducted and are reshaped through further interactions. Through connected relations some of the behaviors become formalized through norms, rules and regulations influencing expectations, perceptions and values. Institutions include all restrictions that people create in order to form the human cooperation (North 1996). Thus, how different parties perceive organizations is dependent on whether they adapt their behavior due to coercive pressures, by mimetic behavior or by being a part of forming the context. (c.f. Aldrich and Fiol 1994; Sevón 1996). The pressures finally results in a structure of related actors, called the organizational field, where norms, values, rules and perceptions are institutionalized. (DiMaggio and Powell 1983/1991). The organizational field consists of all the relevant organizations such as key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products constituting a recognized area of institutional life. (DiMaggio and Powell 1983/1991; North 1996).

The values, norms, beliefs, rules and perceptions established in the organizational field (DiMaggio and Powell 1983/1991; Ruef and Scott 1998) exert a pressure on the organizations to act in accordance to the expectations within the field. When the organization's behavior conforms to the expectations, it is considered to be proper, appropriate and credible, thus it is considered to be legitimate. (Suchman 1995; DiMaggio and Powell 1983/1991; Meyer and Rowan 1977/1991; Scott 1987/1991). An organization is more likely to survive if it obtains social support, acceptance and legitimacy from the external institutional environment (Meyer and Rowan 1977/1991; DiMaggio and Powell 1983/1991; Meyer and Scott 1992; Parsons 1956) by demonstrating conformity to the norms, rules and social expectations of the institutional environment. (Baum and Oliver 1991; see also Meyer and Rowan 1977/1991). If an organization develops ties to societal institutions, it shows a desire to be adherent to the institutional expectations and cultural beliefs (cf. Scott 1987/1991; Ruef and Scott 1998). Legitimacy in this view can be defined as "[...] a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." (Suchman, 1995:574). This external legitimacy raises the organization's position relative to that of other organizations in the environment, contributing to the organization's increased legitimacy, stability and predictability (Meyer and Rowan 1977/1991) and greater ease of access to resources (DiMaggio and Powell 1983/1991). If the organization acts in a way that can affect the perceptions of the firm in a negative way (e.g. if the organization acts in an unethical way), the result can be that the firm is perceived as being e.g. a clumsy or nervous actor (Ashforth and Gibbs 1990).

Summing up, the institutionalization of the behaviors is a process, which emerges as the organizational field is formed. Since this process often takes place within a certain context there might be differences in cultural norms and values, i.e. what is considered to be a proper behavior within different contexts may differ. (Aldrich, 2000). What is morally accepted in one society may be seen as suspect in another since legitimacy is formed through interactions between organizations in different settings. Thus, the institutional theory considers the different external pressures put on firms, whereby they become homogenized. Thereby the firms' behaviors as complying with the institutionalized behaviors within the society explain firms' legitimacy.

Similarities and differences between the network context and the organizational field

The network context is defined with the interactions and relationships as a point of departure. In the network approach, interaction processes between actors exchanging resources are formed within socially constructed contexts, where the actors are embedded in different contexts simultaneously. The firm's network context containing the firm's exchange relationships is not occurring in isolation, but rather in the interplay between the firm, political actors and other organizations. In the field definition on the other hand, the point of departure is not the exchange but rather actors having a common meaning system. The field is a construction and is determined by the observer meaning that there are no objective boundaries but rather is socially constructed. The participant's attention structures and identities are shaped by the field, which can be defined as a reference system and is what the participants view as important issues. The field is held together by common beliefs in and adherence to what the activities are all about (Bourdieu 1980; Sahlin-Andersson 1996). The similarity between the network and the field is that they are both socially constructed; however in the network, exchanges are a prerequisite whereas for the field definition, the emphasis is instead on the common

belief system holding the field together. The normative elements or meaning systems however influence the collective goals or values of the network (Jansson et al 1995).

Legitimacy and the network context – combining the two

When the relations emerge, expectations, norms and rules are shaped and reshaped through further interactions, thereby setting the boundaries for how the exchanges between actors should be conducted. Some of the behaviors become institutionalized through norms, rules and regulations, which together with the expectations, perceptions and values influence the condition for relationships, i.e. what is perceived as legitimate behavior. Simultaneously, through the firm's relationships the existing institutionalized behaviors and expectations, perceptions and values are influenced.

Connecting these two approaches, it is in our view logical to argue that legitimacy is important to take into consideration within the network approach. This implies that understanding the constituents of legitimacy within a specific network context is vital in order to explain the firm's possibilities to act, maintain existing as well as developing new relationships, since without being perceived as a legitimate actor the firm will face difficulties in accessing resources (Sharma 1991). As pointed out by Meyer and Scott (1983) networks operate in both institutional and technical environments. The institutional environment is characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy from the environment and thereby accessing resources. The technical environment is with which organizations exchange resources to effectively survive. (Meyer and Scott 1983).

One of our contributions is that we argue for viewing the forming of the institutionalized behaviors as a two-way process, where the existing institutionalized behaviors and legitimacy influence relationships that evolve at the same time as the behaviors and perception of legitimacy are changed and influenced by the firm's relationships. In other words, the institutional context of the network influences the network actors, their activities and goals within the exchange relationships. Moreover the institutional context is not only influencing the actors and their activities and resource flows but rather it also influences the actors' expectations, roles, behaviors and beliefs, which is also in line with McGuire's (1988) argument. On the other hand, as we argue, these network interactions and exchanges influences the behaviors and cognitions within the institutional context as well.

Legitimacy and expectations within the network context

Roles, expectations and positions

The history of interactions and relationships determine the current position of a firm meaning that the position is directly dependent on the firm's relationships, and indirectly dependent on the counterparts' relationships with other actors in the network. (Seyed-Mohamed and Bolte 1992) This is a result of the activities performed and the resources that can be accessed by the actors, which shapes the *collectively expected actions* of the actor. The position is defined by other organizations through the relationships they have with the firm, meaning that a network may be illustrated as an aggregation of interlocking positions. (Easton 1992) Position can be defined both as a structural concept, describing how the focal actor is related to other actors within the network. By this we mean that position as a structural concept can be seen as a description of how A is related to B and B to C and so on, i.e. as a map over the network context. (Mattsson 1984; Snehota 1990; Johanson and Mattsson 1992). The second way of defining position is from a resource dependence perspective (Pfeffer and Salancik 1978), which emphasizes the relative resource accessibility and how dependent actors are of each other, i.e. the relative importance of the actor and the desirability of its resources. This way of viewing position is thus more connected to power – dependence, influence and authority. Position is therefore a dialectical concept as it both offers opportunities in the form of power and constrains the firm's behavior due to the expectations on behavior formed in the interactions and institutionalized in the relationships. These demands have to be dealt with in order to maintain a balanced position.

In the interactions the resources are adapted to other actors resulting in that the firm has different functions, i.e the roles the firm has in the network. A role is determined by the expectations, norms and rules connected to the relationships. Roles can become institutionalized rights and responsibilities related to the functions. (Mattsson 1984; Marshall 1998) The role ties the actor to the surrounding context with its institutionalized norms and rules (Brante et.al 2001) thus constituting the bases for the

firm's legitimacy. As an actor has different roles, the roles can become conflicting as the demands on the firm are conflicting and the actor therefore may perceive problems in combining different roles in different contexts. A role conflict may also be the result of ambivalence when the expectations on the role are unclear. From this follows that other firms expect the focal firm to act in accordance with the role expectations associated with that specific task (Mattsson 1984), i.e. if the firm acts in accordance to the role expected it will be seen as legitimate. Thus, in our view Suchman's (1995) definition of legitimacy need to be developed as the expectations on the firm also influences what others perceive as legitimate as well as how desirable its resources are. Therefore, we define legitimacy as *expectations* on behavior and a generalized perception or assumption that the organization and its actions, as perceived by others, are credible, *desirable*, proper, or appropriate within a certain socially constructed context of norms, values, beliefs, and definitions.

Although the first definition of position is a structural concept whereas the second is a relative concept, they are interconnected. The position of an actor is defined by the relationships it has developed, giving us the map of the connected relationships. The position also defines the accessibility the actor has to resources, both in the firm's possession but also those resources, which could be accessed through the relationships. The more relationships an actor has, the more resources it can access. The more critical these resources are, the more dependent will other actors become, thus giving the focal actor more power, and a more central position within the network context. Position thus becomes a structural concept and a relative concept at the same time, but is also network context specific. A firm can have a central position within one context, but have a more peripheral position in another context, depending on the resources and activities being exchanged as well as which actors are taking part in the exchanges.

Trustworthiness

Exchanges between actors impose risk and uncertainty, due to the fact that the counterpart might never reciprocate or might do so but minimally. Commitment is one way to handle uncertainty and complexities of situations based on one party's expectations (Håkansson and Snehota 1995). The exchange relations evolve in slow processes and develop gradually, where the parties can prove their trustworthiness, enabling them to expand their relations since the actors are dependent on each other for resources provided to them through exchanges (cf. Blau 1964; Forsgren and Johanson 1992). As the actors start interacting trust and commitment can be developed, as the firms and/or organizations adapt their resources and activities towards each other. Trust and commitment can be seen as a result of the interactions between two parties. However, before the interactions starts, organizations prefer to transact with organizations of known reputation, based on experience from one's own past dealings with that organization or on information from a trusted actor who experienced the counterpart as trustworthy from previous dealings. (Granovetter 1985) As exchanges involve vulnerability it implies that parties will seek trustworthy partners (Morgan and Hunt 1994), which is what we focus on. Reputation is one way to decrease the uncertainty prior to the relationships have evolved, and also one way of seeking trustworthy partners. The reputation decreases the sense of uncertainty in order to more easily make hard decisions. However, reputations also involve risks as they have a tendency to start when an organization's need for information is larger than the knowledge. Reputation can arise spontaneously or is a result of some kind of propaganda. We consider that another important aspect to add to the legitimacy definition is the concept of trustworthiness thereby modifying our previous definition of legitimacy.

We define legitimacy as expectations on behavior and a generalized perception or assumption that the organization and its actions, as perceived by others, are trustworthy, credible, desirable, proper, or appropriate within a certain socially constructed context of norms, values, beliefs, and definitions.

Summing up, the position is a description of the connections between different actors (i.e. the map) and a definition of the interdependencies between actors (i.e. power – dependence), as well as the desirability of an actor. The norms and rules as well as the expectations, influence the different roles associated with a position within the different contexts. These expectations are an important part of how an actor is perceived, which is both affected by the roles the actor play but are also forming in the interactions between the actors; constituting the base for legitimacy. The position, role and legitimating process are, as we argue, the driving force of the process within the network approach. By this we mean that positions and roles are not static concepts, but changes constantly as the actors engage in

new relationships, new exchanges, and as the expectations on behavior as well as the perceptions of legitimate behavior change. Norms and rules are both something that the firm perceives as an external pressure, but also something that evolves and changes in the interactions as the actors establishes new norms and rules for what is accepted behavior for the exchanges, the relationships as well as the context connected to the relationships, i.e. being a two-way legitimating process. The above points to the importance of actors' perceptions and expectations, i.e. the cognitive aspects, of network interactions and exchanges, which has also been requested by McGuire (1988) in order to develop inter-organizational network studies.

Business and political contexts – from legitimacy point of view

What is the consequence of the differences between the political and business contexts for a firm? Within the business context the interactions between the actors can be thought of both in short-term and long-term perspectives. In the short-term perspective the content of the interactions have a more objective nature, i.e. that the exchanges between firms are in the form of goods for money whereby the intentions of the firms can more easily be examined and evaluated. This means that if the quality of the exchanges corresponds to the actors' expectations where the uncertainty connected to the exchanges and the counterparts decreases, the possibility of long-term commitment to the relationship is enhanced. In the short run the actors can decrease the perceived uncertainty through these more objective natures of the interactions. However, the future involves uncertainty about the actors' actions, which implies that the only things the actors can express are their intentions, which are evaluated and interpreted by the counterparts. Interpretations and intentions have a more subjective nature, which complicates a firm's interactions within a political context where the exchanges of goods for money do not exist. The exchanges within this context are characterized both on short as well as long term perspective by intentions and interpretations.

Position and roles matter in the existing network context as well as in new contexts, which in our case means changes in the political context. The actor wishing to enter the new political context will be evaluated based on its current legitimacy, its position and the roles it plays within its established network of relationships. At the same time, the entering actor aiming to play certain roles within the new network of actors, has to be aware of and understand the expectations on the behavior connected to those roles in order to be seen as a legitimate actor, thus conditioning the firm's possibilities to act. Through the interactions, behaviors become institutionalized and the norms and expectations are changed giving that the firm is both experiencing an external pressure at the same time as it affects the perceptions on legitimate behaviors. By this, the firm's behavior can be explained and described in a more differentiated way increasing our understanding and degree of explanation of the firm's conditions and possibilities to act in a new context, in this case a firm entering and extending the network context into an international political context.

Illustration

The Swedish agricultural industry consists of farmers organized in different production interest organizations depending on farmers' production (milk and meat among others). These interest organizations are also member of the farmer-owned Swedish interest and industry organization called the Federation of Swedish Farmers (LRF). LRF is one of the key actors in the Swedish agriculture industry. The organization represents the different farmers' interest and the general aim is to create the conditions for efficient, market oriented and competitive companies. One important area in LRF's work is the agricultural policy aiming at developing international, national and regional conditions concerning agriculture affecting the farmers. The Swedish entry into the EU in 1995 changed the institutional context and thereby the rule setting and policy formulation processes of the Swedish political arena. This means that parts of the formal rule setting moved from a national level to a setting characterized by internationality and supranationality. Before the integration the industry worked in a closed system with border protection and relatively higher prices compared to the other EU nations. By joining the EU, Sweden had to fully adopt the Common Agriculture Policy (CAP), which is applied within the EU, where prices and support policies are determined jointly by Member States.

The fact that the political power is more concentrated to the EU level had an impact on the structure of LRF's network context. These changes enhanced LRF's need to be present in the EU and put a pressure on LRF to (re)act in order to cope with these changes and to defend its relative resource

importance and to influence the position and roles played in the future. The intentions of LRF's presence in Brussels was to be able to participate within the EU bureaucracy, represent the interest of the Swedish farmers at the EU level by putting forward its national interests and to report the issues discussed in Europe back to Swedish farmers.

A vast number of experts are involved in drafting and implementing the common agricultural policy in the EU. The Commission consults the European Parliament and the Economic and Social Committee (ESC). The Commission also cooperates closely with farmers' professional bodies to ensure that allowance is made for their interests in the drafting of the common policy and the management of the common market organization. This is one explanation why a large number of professional farming bodies operate at European level.

How can LRF learn about the perceptions of what constitutes a legitimate behavior within the EU network context? How can it learn how EU functions?

In order to understand the political arena in the EU, to be informed about the organization of the EU and the process of European agricultural policy formulation, to understand the roles other organizations have in the system and last but not least to establish relationships with other interest organizations at the European level LRF established a representation office in Brussels. By this act LRF started its process of trying to establish itself as an actor within the European political context. LRF acts politically to learn the rules of the game and how to gain legitimacy. In the beginning, it was of crucial importance for LRF Brussels office to establish long-term relationships with the European farmer umbrella organization COPA/COGECA (representing farm cooperatives) as this organization has long tradition of working in the political arena of the EU. COPA/COGECA represents both the general and specific interests of farmers in the member states and is recognized by the Community authorities as the spokesman for the agricultural sector, closely cooperating with the EU Commission, where it represents the farmers' interests. COPA/COGECA was thus seen as an important actor to interact with. LRF's activities were directed towards establishing interactions with this organization. By starting interacting with COPA/COGECA, LRF gained better insight into how EU functions as well as what is accepted behavior within this context.

LRF intend to establish long-term relationships, i.e. long-term commitment of resources, within the EU implying that besides LRF's intentions the counterparts also have to interpret these as long-term intentions. In a business context, this would mean that LRF could prove its intentions through the exchanges of goods for money whereby the parties incrementally adapt to each other, developing trust and commitment, and the intentions become confirmed. However in a political context the intentions cannot be proved through the exchanges of goods for money, meaning that in the political context of the EU, the actors' intentions must be confirmed based on the interpretations made by the counterparts.

How can LRF under these circumstances demonstrate its trustworthiness, desirability and what it states to be its intentions are credible?

Establishing the representation office in Brussels can also be seen as a way to substantiate its trustworthiness in the eyes of EU and COPA/COGECA, expressing its long-term commitment intentions, i.e. LRF's credibility. Another way to make their intentions credible was to point to its position and roles within the Swedish agricultural industry as one of the key actors. Furthermore, LRF also put forward its embeddedness within the Swedish political context, underlining its long tradition of regular interactions with Swedish governmental actors representing the interest of the agricultural industry. Through these relationships LRF participates and influence the content of proposals concerning the industry.

The above were LRF's own ways of showing its intentions and attempts to establish trustworthiness and credibility for its actions. Another channel that also confirmed its credibility were the Swedish governmental actors, who are represented within the EU bureaucracy. These governmental actors involved in agricultural matters spread information about the Swedish agricultural industry and the actors involved. This eventually reached COPA/COGECA as a reputation thereby through another channel confirming the position and roles played by LRF within the Swedish agricultural industry.

Credibility and trustworthiness are two concepts that partly describe LRF's legitimacy building behavior. By trying to "prove" trustworthiness LRF can become credible, however these are the intentions as presented by LRF. In pointing to its relative importance and the roles it plays within the existing network the counterparts interpretations of the actor as desirable or not are also affected.

Through the interactions LRF established relationship with COPA/COGECA resulting in electing one LRF representative as vice president for the umbrella organization COPA/COGECA (Nilsson, 1996), where LRF together with other interest organizations acts in the best interest of the European agricultural industry. Together they develop the common agricultural policy creating possibilities for the common European agriculture. At the same time LRF is monitoring the agricultural development in Sweden and EU by watching and analyzing the developments of international issues. The monitoring role of LRF is important as the international developments set the agenda for further developments of the agriculture in Sweden. LRF thus also acts with the Swedish farmers interest in mind. By being present and establishing contacts with other interest organizations also facilitated the establishments of direct contacts with the EU institutions. Doing this it became easier to gain access to resources offered by the EU, (like different funds, information and knowledge), resources that could promote the Swedish agriculture industry.

The dependence of LRF on the EU institutions is not one sided but rather interdependent. The EU Commission is responsible for proposing laws, to watch over their implementation, to promote the collective European interest and to act as guardian of the treaties. To accomplish these tasks, the Commission has a network organization and is largely dependent on other public and private organizations. It uses different strategies to engage national actors in the policy making process in order to ensure that the Commission has access to those actors who are affected by EU regulation. As a result, numerous consultative committees and advisory bodies have grown up around the Commission directorates (see for example Laffan et al., 1999). Thus, the EU institutions often lack important knowledge (like technical and regional specific knowledge), which is required for rule setting and policy formulation in a certain areas, e.g. in this case the agricultural area. Recognizing that both business and political actors need to acquire knowledge or information from actors outside their own network context implies interdependencies.

Conclusions

Sustaining the Swedish political relationships alongside with the newly developed European relationships, LRF now became able to influence and participate on a wider front; national, alliances with other interest organizations as well as direct relationships with different EU institutions. In order to preserve its legitimacy and social support, institutional theory, as presented above, would suggest that LRF adapts its behavior to the external pressures from the new EU environment. However, applying our way of arguing that the firm is not only exposed to external pressures, but rather that it through its existing relationships and by establishing new relationships is also able to participate in the forming of the expectations, perceptions or assumptions on expected behavior. We can also explain that legitimacy varies depending on LRF's intentions within the different contexts. The importance to implement the concept of legitimacy into the network approach enables us to explain LRF's behavior and possibility to act. In other words, considering and understanding how LRF is perceived illustrates a new dimension within the network approach in that besides the resources the firm has, others perceptions of legitimate behaviors is a condition explaining LRF's possibilities to act.

In this paper we have argued that legitimacy is important to integrate within the network approach in order to better understand the conditions for interactions affecting firm's behaviors. The definition of the concept of legitimacy has also been revised as we have adapted it to include relationship related aspects as expectations on behavior (closely related to interactions), trustworthiness (closely related to trust) and desirability (closely related to resources). Legitimacy applied in the network approach implies that what is seen as legitimate is not static but rather changes through the interactions and that it also is network context specific. This points to one of the complexities of our theoretical contribution in that a firm can be seen as being legitimate within the political context but illegitimate in the business context. A change in the network context as in the example above, where Sweden's entry into the EU involved changes in the rule setting and policy formulation for the Swedish farmers, affects the firm's possibilities to act. These changes can be both slow and fast, affecting the relationships in that some

of the relationships will dissolve while others evolve as a result. When the institutional constituents transform they are channeled through and within the network.

The existing perceptions of what are legitimate behaviors are something that the firm needs to learn and to understand the expectations on the roles the firm intends to play. This is only possible through interactions as some of the regulations that are in written form, may be invalid within the network context due to norms or values, which have been developed over time and are more important to understand if the firm wants to be perceived as legitimate. This might be understood as an external pressure, however what has been emphasized in this paper is that at the same time as the firm interacts and learns about the perceptions of accepted behavior, it will at the same time also influence the prevailing perceptions. Thus, the legitimating process should be defined as an interactive process where different actors; firms as well as political actors take part.

This paper contributes by addressing, the interface between legitimacy and the network of actors from a theoretical perspective, viewing legitimacy gaining as a two-way process. We conclude that understanding the constituents of legitimacy within a specific network context and being perceived, as a legitimate actor is vital for the firm's survival. This implies that legitimacy is a crucial resource for being able to establish new relationships and thereby entering a network context. Therefore, firms' entering network contexts cannot satisfactorily be explained without considering the two-sided legitimacy gaining process. Gaining legitimacy within the network context is a matter of a firm's (cap)ability to interpret the expectations on behaviors within its existing relationships as well as in its extension of the network context, in order to survive and to gain access to resources important for its activities.

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