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Business-government relations in the digital age

Corporate responses to policymaking in the European Union

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CHAPTER 6

Discussion and Conclusion

This dissertation scrutinizes the dynamics of corporate responses to digitalization regulations within the framework of the EU. While extensive literature exists on the interaction between corporations and governments, this dissertation specifically emphasizes contributions from (international) business scholars, primarily in the domain of CPA scholarship. This focus also extends to NMS and PCSR, albeit to a lesser degree. Chapter 1 sets the stage with a historical overview, tracing the evolution of various themes within this scholarly discourse. It also endeavors to juxtapose these themes against insights from economics, political science, sociology, and other allied disciplines, providing a comprehensive analytical landscape.

Chapter 2 advances this discussion with a detailed literature review centering on MNEs, digitalization, and sustainability. This chapter not only uncovers numerous potential research pathways but also narrows down on three pivotal areas: the deployment of information strategies, the complexities of managing institutional environments across different governmental levels, and the growing interplay between digital sustainability and geopolitics. These research avenues are further explored in following chapters.

In Chapter 3, the focus shifts to information strategies, particularly in the context of GDPR business lobbying, highlighting how corporations attempt to shape regulations by targeting policymakers with information that steers them towards the firms' desired legislative outcome. Chapter 4 investigates the political and social maneuvers of data centers, shedding light on their strategies to address the multifaceted pressures emanating from various governmental layers. Finally, Chapter 5 examines the intersection of digitalization and sustainability in key sectors, underscoring how their integration is increasingly influenced by geopolitical factors, and how the realization of digital sustainability, today, is as much of a geopolitical as a technological challenge.

This dissertation, through its analysis across these chapters, contributes to scholarly understanding of corporate political strategies in the digital era, particularly in the face of evolving EU regulations. It offers insights into the multifaceted challenges and opportunities that corporations encounter

and provides an understanding of the interplay between business practices and regulatory frameworks in the context of digital transformation.

6.1 Findings

In Chapter 2, I identify five pivotal insights for researchers exploring the nexus of MNEs, I4.0 and sustainability. First, despite burgeoning academic interest from diverse disciplines, the nascent nature of this field is evident from the relatively scarce literature and its concentration in less ‘prominent’ journals. This observation indicates that this area of study is still emerging. Second, there is a noticeable scarcity of conceptual research that develops, applies, enhances, or refines theoretical models and constructs. This gap presents substantial opportunities for introducing greater theoretical depth in future research on this subject. Third, a significant portion of the existing literature comprises commentary and perspective articles. These pieces provide valuable insights and propose directions for future research, but they often lack rigorous empirical analysis. Fourth, while the reviewed literature acknowledges the role of MNEs, it frequently overlooks specific attributes such as ownership structures, governance models, and internationalization strategies. Consequently, there remains ample opportunity to further explore the implications of implementing I4.0 technologies for sustainability in a global context (Ciulli & Kolk, 2023). Fifth, although some studies suggest that different technologies may have distinct impacts on sustainability, focused research on individual technologies is sparse. This means that the specific advantages and drawbacks of each technology have not been thoroughly examined. Acknowledging these findings, we propose a comprehensive research agenda aimed at furthering the study of MNEs, I4.0 and sustainability. This agenda spans various aspects of sustainability, including social, economic and environmental dimensions. Key research themes include human rights in the digital era, the regulatory framework for digital technologies in social contexts, the influence of corporate power in the digital age, employment and working conditions within MNEs, localization strategies, the environmental cost of digitalization, greening of Global Value Chains (GVCs), and forming partnerships for digital sustainability.

Chapter 3 of this dissertation makes three contributions to the existing body of literature on CPA. First, it introduces and defines two novel

information strategies: categorical information strategy and conditional information strategy. The categorical information strategy is identified as the initial approach used by firms and other stakeholders in the absence of an official position paper or communication. This strategy involves providing specific information to policymakers with the aim of influencing the inclusion or exclusion of particular elements in upcoming legislation. It tends to be the dominant strategy in the early stages of EU lobbying, particularly when impending legislation is anticipated but its final form remains uncertain. As the policy process progresses and an official communication is released, there is a strategic shift towards a conditional information strategy. This approach involves offering specialized knowledge or insights to policymakers, with the goal of integrating certain conditions or limitations into forthcoming legislation. This distinction between categorical and conditional information strategies provides CPA researchers with a useful tool for deeper analysis into the complex dynamics of information strategies, a previously underexplored area in CPA research, as noted by various reviews of CPA literature (Lenway et al., 2022; Lawton et al., 2013a).

The second contribution lies in highlighting the importance of understanding the significance of institutional procedures within the realm of CPA. This dissertation emphasizes the need to look beyond the traditional focus on institutional structures and consider the role of institutional processes and procedures in shaping corporate strategies. Thirdly, this chapter challenges existing notions in the field, specifically the findings of McKay & Yackee (2007) regarding the engagement of interest groups in counter-lobbying. Contrary to their findings, our research indicates that stakeholder groups not only pay close attention to the lobbying activities of others but also actively engage in counter-lobbying, suggesting a more dynamic and interactive lobbying environment than previously acknowledged. Methodologically, this chapter also speaks to the evolving nature of research methodologies in the study of CPA. Echoing Lenway et al. (2022), we demonstrate the use of innovative methodologies in text analysis, underscoring their value in facilitating more detailed and sophisticated analyses of CPA.

Chapter 4 examines the challenges faced by digital MNEs in managing regulatory pressures across multiple government levels. While existing IB literature often focuses on national or subnational influences on MNE

behavior, this chapter addresses the less explored area of multilevel governance. It highlights how *interactions* between various levels of institutions present unique strategic challenges and opportunities for MNEs. Using the datacenter industry in the Netherlands as a case study, the chapter illustrates the impact of territorial government organization on CSPE strategies of MNEs. A key aspect of this chapter is the exploration of how digital MNEs adapt their lobbying strategies across local, regional, national and supranational levels. Initially, MNEs engage in lobbying local and regional governments to align them with their policy preferences. Once alignment is achieved, they shift to a cooperative approach, working with these governments to influence higher levels. This strategic evolution helps MNEs achieve consistency in regulations across different regions within a country. The chapter also underscores the differentiated approach MNEs take in engaging with policymakers at various levels, tailored to the specific competencies and authorities of these levels. For instance, the lobbying for operational standards differs from that for location decisions, with the former often being a local concern and the latter a national issue. MNEs provide technical knowledge and expertise to inform policymakers, aiming to shape regulatory outcomes and prevent impractical regulations. Additionally, the chapter discusses how MNEs strive to build a reputation as environmentally responsible stakeholders in the digital economy. This requires them to demonstrate their societal value continually, especially under the scrutiny of stakeholders at different levels.

Chapter 5 analyzes the convergence of digital sustainability and geopolitics in the context of MNEs, offering several key insights for IB. First, it notes the end of the self-regulation era for MNEs, highlighted by the EU's regulatory proposals in areas like AI, data governance, and cybersecurity, and similar trends in the U.S. MNEs are required to actively engage in the nonmarket environment, which includes providing information to policymakers, collaborating with international bodies, developing standards, and participating in public-private initiatives. Second, the chapter discusses the resurgence of geopolitical considerations in policymaking, particularly in light of recent global events like the war in Ukraine and the China-Taiwan tensions. This has led to new trade and production patterns, such as 'friendshoring', 'onshoring', and 'nearshoring'. These trends indicate a shift towards sourcing from politically aligned or geographically close countries and could

lead to policies affecting the import and export of strategically important products. Third, the chapter suggests that future international trade and production may increasingly align with geopolitical alliances. However, these alliances are subject to change due to political shifts, as seen in events like Brexit and changes in the U.S. administration. This dynamic nature of international relations poses challenges and opportunities for MNEs, especially in their role in shaping public policy and values governing digital sustainability. The chapter also emphasizes the need for scientific definitions and measurements in governing digital sustainability, where firms' technical expertise becomes crucial. Lastly, the chapter highlights the growing importance of corporate diplomacy in the current geopolitical landscape. MNEs must navigate complex international relations, balancing economic interests with geopolitical considerations, and contribute to shaping the evolving landscape of digital sustainability and IB.

6.2 Contributions to CPA Literature

How do these findings contribute to BGR literature in general and CPA literature specifically? While each chapter offers a unique contribution to the literature by virtue of the topic under discussion, there is also a more general and thematic contribution to be stressed in this dissertation.

Chapter 3 of this dissertation contributes to the CPS literature, particularly in expanding upon the foundational framework established by Hillman and Hitt (1999). This chapter addresses the gap identified in CPA literature regarding information strategies, a topic previously noted as under-researched by scholars like Lawton et al. (2013a) and ripe for exploration with new technologies like natural language processing (NLP), as suggested by Lenway et al. (2022). Hillman and Hitt's framework categorizes political actions based on the targeting of policymakers – through financial means, building political support among constituents, or supplying information. Of these actions, the information strategy has been somewhat neglected in the existing literature. The novel distinction made in this dissertation between categorical and conditional information strategies adds depth to this framework by focusing on the nature and substance of the information targeted at policymakers. Whereas previous research predominantly examined the outcomes of information sharing, such as tangible benefits for firms (e.g.,

import restrictions, as discussed in Marsh, 1998), this chapter shifts the focus to the content of the information itself. This is an important development, as it opens a new line of inquiry within CPA literature about the role and impact of data proliferation in the digital age. By analyzing the specific types of information – categorical and conditional – used in corporate lobbying, the chapter provides a more nuanced understanding of how firms communicate with policymakers. In summary, Chapter 3 extends the CPA literature beyond the traditional focus on the consequences of information sharing to a more detailed examination of the information’s substance.

Chapter 4 of this dissertation contributes to the literature on NMS and CSPE, particularly in the context of MNEs and IB. This chapter addresses a gap identified in the literature regarding how MNEs navigate complex institutional contexts and engage with government entities at multiple levels. Although the interaction between MNEs and governments has been a fundamental aspect of IB research since its inception (Boddeyn, 2016; Boddeyn & Brewer, 1994), these interactions have typically been examined at a single level, primarily national and increasingly subnational (Hutzschenreuter et al., 2020). The contribution of Chapter 4 lies in its exploration of MLG and the distinct challenges and responses of firms to government layers with varying territorial powers and competences. Notwithstanding the perceived ‘country-agnostic’ nature of digital technologies (Luo, 2022), the reality of their implementation necessitates locational adjustments due to varying sustainability implications. Chapter 4 delves into this complexity by analyzing how firms, particularly datacenters, navigate the pressures from different government layers. This analysis is important in understanding the governance of digital technologies where multiple layers of government are involved. The propositions formulated in this chapter offer new insights and directions for future research in NMS and CSPE, particularly in the digital context. In summary, Chapter 4 expands the existing body of knowledge in NMS and CSPE by shedding light on the multi-level dynamics of BGR in the digital age, and opens up new avenues for research into how MNEs adapt their strategies and operations to navigate the complex, layered institutional landscapes they operate in, particularly in the realm of digital technologies.

Chapter 5 of the dissertation contributes to the IB literature, particularly in the domains of digitalization and sustainability, by elucidating

how these areas are increasingly intertwined with geopolitical dynamics. This chapter extends the understanding of the shifting institutional environment for MNEs and their strategic responses to emerging global challenges. The chapter emphasizes the pivotal role of the EU in the global landscape, given its interconnectedness through international trade and investment. The EU's position highlights the complex blend of geopolitical, societal and technological complexities that MNEs must navigate. A key contribution of this chapter is the insight it provides into how geopolitical conflicts and the rise of digital technologies, underpinned by varying societal values, are increasingly influencing the pursuit of economic, social and environmental sustainability. This evolving landscape requires MNEs to adapt to new realities and assume a more proactive role in influencing emerging policies. In particular, the chapter underscores the importance for MNEs to engage actively in areas such as critical raw materials, semiconductor technologies, and net-zero initiatives. The insights offered in this chapter are especially relevant for MNEs striving to achieve digital sustainability, as well as for scholars focusing on international business policy (Clegg, 2019; Lundan, 2018). The chapter contributes to a deeper understanding of how digitalization and sustainability are not standalone concepts but are deeply enmeshed within the broader geopolitical context. In summary, Chapter 5 contributes to the IB literature by highlighting the critical intersection of digitalization, sustainability and geopolitics.

This dissertation emphasizes corporate responses to EU regulations, highlighting the EU's growing role as a regulatory leader in the realm of digital technologies. While the EU may not be a traditional military or political superpower, its influence as a regulatory superpower, especially in digitalization, is well-established (Bradford 2012, 2020). This focus responds to an overall gap in the CPA literature, which has predominantly centered on the U.S. (Katic & Hillman, 2023; Lenway et al., 2022), although in recent years developing and emerging economies have also come to the fore. This bias can be partly attributed to the availability of high-quality data in the U.S. and the significant financial investments in its political system, particularly following the *Citizens United* ruling. While these studies have advanced our understanding of how firms influence public policy in the U.S., their applicability to other contexts, especially the EU, is unclear. The unique political activities and institutions in the EU (Coen & Vannoni, 2020; Coen et

al., 2021) contrast with those in the U.S., suggesting a need for more region-specific research. This dissertation, by focusing on the EU, addresses this imbalance and contributes to a more global perspective in CPA scholarship. It recognizes the distinct nature of EU political dynamics and institutions, thus offering insights into how firms operate within this unique regulatory environment.

Furthermore, this dissertation broadens the scope of digitalization in CPA research. While existing CPA studies have primarily concentrated on social media and digital platforms, exploring how these technologies facilitate corporate communication with stakeholders and how digital platforms navigate stakeholder pressures for legitimacy, this dissertation brings to light a different yet equally critical aspect: the increasing prevalence of rules and regulations governing the utilization of digital technologies. A central theme of this work is the shift away from the era of self-regulation towards an era marked by robust yet complex digital regulation. This shift is significant, as regulators, particularly in the EU but also globally, are increasingly willing to impose stringent rules on digital technologies, including areas like data privacy, datacenter operations, and computer chip manufacturing. This marks a departure from the earlier regulatory hesitancy, which was driven by concerns about stifling innovation, deterring investments, or impeding the growth of startups utilizing emerging technologies not fully understood by lawmakers (cf. Zuboff, 2019).

The dissertation argues that this changing regulatory landscape has profound implications for firms. Drawing on concepts from Pfeffer and Salancik (1979), Baron (1995, 1997), Lawrence (1999), Marquis and Raynard (2015), and Sun et al. (2021, 2023), it highlights how the increasing reliance of firms on government regulations, the shaping of market opportunities by legislation rather than economic supply and demand, and the need for developing sociopolitical engagement strategies are critical considerations for firms in the digital age. This shift in the regulatory environment demands a reconsideration of how firms interact with and influence their institutional environments. As regulations become more prominent in dictating market dynamics, firms must adapt by developing sophisticated strategies that go beyond traditional market-based approaches. This necessitates a deeper understanding of the interplay between business operations and government policy in the context of digitalization.

In summary, this dissertation extends CPA research by focusing on the burgeoning regulatory frameworks governing digital technologies. It underscores the need for business scholars to explore how these regulations are reshaping the relationship between business and government, emphasizing the need for a nuanced understanding of the dynamics at play in the digital age. This represents a significant contribution to CPA literature, as it addresses an increasingly relevant and complex aspect of the corporate-political interface in the modern business landscape.

6.3 Managerial, Societal and Policy Implications

The rapidly evolving digital landscape, characterized by advanced technologies with unclear societal, political, and business implications, necessitates a collaborative approach across disciplines. Such collaboration is crucial for developing a more holistic understanding of how digital technologies are reshaping the dynamics between businesses and governments. A poignant illustration of this need for broader understanding and scrutiny is the evolution of platforms like Facebook. The shift from its initial promise of being a free service to the current recognition that users ‘pay’ for the service in other ways, such as data and privacy, highlights the changing nature of digital business models and their societal implications. Just as the early enthusiasm for ‘free’ digital services overlooked potential costs, there is a risk today of embracing new technologies without fully comprehending their implications or the business models underpinning them. Thus, this dissertation strongly argues for the importance of cross-disciplinary insights to navigate the complexities of the digital age. Economists, political scientists, sociologists, lawyers, humanities, and (international) business scholars bring unique perspectives that can contribute to a more nuanced understanding of the digital economy and its impact on BGR. By combining these diverse viewpoints, scholars and practitioners can better anticipate and address the challenges and opportunities presented by digital technologies.

The intersection of BGR and digitalization, as explored in this dissertation, highlights the growing importance and relevance of scholarly work in this area. The rapid expansion of digital regulation, initially sparked by initiatives like the GDPR in the EU, has broadened to encompass a wide array of digital domains, including online platforms, AI, BDA, cybersecurity,

and data governance. The EU has been at the forefront of this regulatory wave, but recent developments indicate that the U.S. is also moving towards more stringent regulation of the digital realm. As discussed in Chapter 5, the digital world is increasingly entangled with geopolitics, leading to a proliferation of rules and regulations governing the use, development and sale of digital technologies. This evolving regulatory landscape underscores the vital role firms play, for better or worse, in shaping or attempting to shape these regulations. As digital technologies become more integral to societal and economic structures, the way governments regulate these technologies and how businesses respond and contribute to the regulatory discourse becomes increasingly consequential. The implications of these changes are profound for both policymakers and firms. For policymakers, the challenge lies in developing regulations that balance innovation, privacy, security, and economic growth. For firms, the imperative is to navigate this complex regulatory environment effectively and responsibly, which often involves actively participating in the regulatory process, either to influence policy outcomes or to adapt swiftly to new rules.

The role of business scholars in the study of BGR is particularly significant given their understanding of the inner workings of the firm. This perspective is crucial in the debate surrounding the governance of digitalization, as it complements the insights offered by other social sciences. Economists, political scientists, legal scholars and sociologists each contribute valuable viewpoints based on their areas of expertise – market dynamics, policymaking and governance, and social networks, respectively. However, business scholars bring a distinct and essential perspective focused *on the firm itself*. This intimate comprehension of the firm, as highlighted by Shaffer (1995), sets apart the work of management scholars from their counterparts in other social sciences. Understanding the nuances of how firms operate, make decisions, and interact with their environments allows business scholars to delve deeply into the complexities of corporate responses to government regulations and policies. This expertise is particularly relevant in the context of digitalization, where firms are constantly adapting to rapidly evolving technological landscapes and regulatory demands.

6.4 Limitations, boundary conditions and future research

This dissertation has concentrated on how firms respond to regulations concerning digital technologies within the EU context, with a particular focus on the GDPR, datacenters in the Netherlands and digital sustainability. Despite the contributions of my work, it is also important to recognize its limitations and boundary conditions. As is often the case in academic research, certain aspects that are strengths from one perspective can also present limitations from another, and this duality will be reflected in the following analysis.

First, this dissertation's exclusive focus on the EU raises questions about the external validity of its findings. The EU is often described as 'sui generis' (Wallace et al., 2015), indicating its unique nature as a political entity. This uniqueness might limit the applicability of the identified distinctions between conditional and categorical information strategies, the varied approaches to multi-level CSPE strategies, and the implications of geopolitics becoming central to digital sustainability for both domestic firms and MNEs operating outside the EU. Thus, the geographical context of this research acts as a boundary condition. However, as also noted in previous chapters, some institutional procedures in the EU, like soliciting stakeholder input before proposing new regulations, have parallels in the U.S. This suggests that future studies could investigate whether the insights from this dissertation are relevant in other contexts as well.

Second, this dissertation has predominantly engaged in exploratory research to *build* theory in the context of digitalization, rather than *testing* existing theories. This approach aligns with the relatively new and evolving nature of digitalization. However, a consequence of this methodological choice is that many of the insights presented remain somewhat speculative, as they have not yet been subjected to extensive empirical testing. As a result, potential weaknesses or biases in these insights might not have been fully identified or addressed. Despite this, it is important to recognize that the initial findings and theories proposed in this dissertation offer a viable starting point for future research. They provide a foundational base that can be further refined and challenged by subsequent empirical studies, thereby contributing to the ongoing development and sophistication of research in this field.

A notable strength of this dissertation is its innovative application of quantitative text analysis, particularly structural topic modeling, to the study of BGR. Recognizing the potential of NLP techniques (Lenway et al., 2022), this dissertation, specifically in Chapter 3, responds to the call for utilizing

these advanced methodologies in analyzing the vast quantities of lobbying documents and information. The advent of digital technologies has not only transformed various aspects of BGR but has also significantly lowered the barriers for firms and other stakeholders to participate in the policymaking process. The EU's practice of inviting stakeholder input during legislative processes, coupled with the relatively low threshold for submitting policy documents, has led to an increase in the volume of textual data available for analysis. This burgeoning amount of information underscores the growing importance and utility of NLP techniques in CPA research. This dissertation demonstrates how topic modeling can be effectively employed to analyze and interpret large datasets of textual information in a scientifically rigorous manner.

Looking ahead, this dissertation opens the door to numerous areas for future research. In the realm of information strategies, scholars could further investigate how the characteristics of firms, such as their business model, influence the content and focus of their information strategies aimed at policymakers. This exploration can build on existing studies (Ciulli & Kolk, 2023; Teece, 2010) to deepen our understanding of how different business models impact firms' preferences for specific regulations and the substance of their lobbying documents. Additionally, the efficacy of various information strategies warrants further examination, as highlighted in the introductory chapter. Such studies would likely require intricate, multidisciplinary research designs, integrating insights from business, legal, and political science disciplines. The aim would be to trace the development of legislation back to lobby documents and assess how effectively these documents meet the lobbying firm's objectives. Furthermore, the findings in Chapter 4 present opportunities for scholars to empirically test or refine the proposed propositions in diverse contexts. The governance of digital technologies is a complex field, involving not just national governments but also other layers of government and non-state actors like trade associations and NGOs (Bruijn et al., 2023). This multifaceted scenario invites researchers to explore how MNEs respond to these pressures and attempt to shape the institutional environment. Lastly, Chapter 5 raises important questions about the future global production strategies of MNEs, particularly in relation to nearshoring, friendshoring, or onshoring. This invites further research into how different

MNEs might realign their production activities across the globe and how their specific characteristics influence these strategic decisions.

6.5 Conclusion

This dissertation presents a series of chapters that collectively examine how firms respond to the evolving landscape of digital technology regulations within the EU. This inquiry is crucial not only for scholars specializing in BGR generally and CPA specifically, but also for society at large, as we navigate an era increasingly shaped by advanced technologies. The EU's proactive stance in aligning these technologies with core human values holds impact beyond the European market, influencing global business practices. Understanding corporate responses to these regulatory measures is pivotal in comprehending a key aspect of contemporary BGR. Each chapter in this dissertation, underpinned by an extensive literature review, tackles a component of this complex puzzle: the strategies of information dissemination; the nuances of multi-level political and social engagement; and the geopolitical intricacies of digital sustainability. This work initiates a critical dialogue on the regulation of digital technologies, a subject that will gain even more relevance as technologies like generative AI continue to advance. It is the hope that this dissertation will not only spur further research in this field but also provide a guiding framework for such inquiries. Although the subject matter is inherently interdisciplinary, business scholars are uniquely positioned to contribute significantly to this discussion. Their profound understanding of the firm, which is often oversimplified in other social sciences, is essential for a deeper and more nuanced exploration of the dynamics of digital technology regulation. By shedding light on the heterogeneity of firms, this dissertation aims to enrich our understanding of how digital technologies are regulated and help society better navigate the significant societal challenges these technologies present.