



# Designing lobbying capabilities: managerial choices in unpredictable environments

Designing  
lobbying  
capabilities

167

Thomas Lawton and Tazeeb Rajwani  
*School of Management, Cranfield University, Bedford, UK*

Received November 2009  
Revised January 2010  
Accepted February 2010

## Abstract

**Purpose** – The purpose of this paper is to explore how, in unpredictable policy environments, specific managerial choices play a vital role in designing lobbying capabilities through the choice of levels of investment in human capital, network relationships and structural modification.

**Design/methodology/approach** – Using an inductive case study approach, data were collected through 42 in-depth, semi-structured interviews and documented archival data. Cross-case pattern sequencing was used to construct an interpretive model of lobbying capability design. Data were framed by the dynamic resource-based theory of the firm.

**Findings** – Heterogeneous lobbying capabilities are adapted differently in private and state-owned airlines as a result of diverse ownership structures and time compositions that interplay with organizational processes. The result is a divergence between private- and state-owned airlines in how they engage with governmental actors and policies.

**Research limitations/implications** – The paper contributes to ongoing discourse in and between the dynamic capabilities and corporate political activity literatures, particularly on how state/non-state-owned airlines design their political lobbying capabilities. The research is limited in so far as it only studies the European airline industry.

**Originality/value** – The paper illustrates how a specific and far-reaching unanticipated external policy stimulus (the 9/11 terrorist attacks) impacted on management choices for lobbying design in the European airline industry.

**Keywords** Europe, Lobbying, Strategic choices, Corporate ownership, Airlines, Government policy

**Paper type** Research paper

## Introduction

The creation and preservation of competitive advantage is a core challenge for all strategic managers but political lobbying is often underestimated as a means of directly or indirectly creating and sustaining industry or market advantage. Building on the resource-based view (RBV) of the firm and conscious of the difficulty in establishing causality with performance, the concept of dynamic capability has emerged as a primary construct for explaining how firms can improve efficiency and effectiveness and lay the foundations of competitive advantage (Teece *et al.*, 1997; Zollo and Winter, 2002; Helfat and Peteraf, 2003; Bowman and Ambrosini, 2003; Ethiraj *et al.*, 2005; Helfat *et al.*, 2007; Teece, 2007; Sirmon *et al.*, 2007; Ambrosini *et al.*, 2009; Easterby-Smith *et al.*, 2009). Adopting more of a process approach than existing RBV concepts, dynamic capabilities are the bridge between firm resources and business context, focusing on how firms can create best practice, if not industry or market advantage, through the reconfiguration, integration and deployment of competencies in conditions of market change (Ambrosini *et al.*, 2009). As such, dynamic capabilities can constitute the underpinnings of competitive advantage in rapidly changing environments (Teece, 2007).



European Business Review  
Vol. 23 No. 2, 2011  
pp. 167-189  
© Emerald Group Publishing Limited  
0955-534X  
DOI 10.1108/095553411111111192

Although not exclusive in earlier definitions, the focus of most research has been on “market” change. A number of scholars have suggested that firm resources can be cross-fertilized into a non-market environment, in particular to the corporate political context (Baysinger and Woodman, 1982; Baysinger, 1984; McWilliams *et al.*, 2002; Bonardi *et al.*, 2006; Frynas *et al.*, 2006; Oliver and Holzinger, 2008; Capron and Chatain, 2008). However, the criticism of some of these studies from the political focal lens is that they are not paying attention to the managerial coordinative activities by which firms assemble and leverage knowledge assets in given policy environments.

The aim of this study is to examine how lobbying capabilities are designed by both state- and non-state-owned European airlines, and more importantly their senior management in uncertain, unpredictable policy contexts. In other words, we seek to understand how Europe’s long established network carriers (so called “legacy” airlines) design their lobbying capabilities to influence European and national institutions and related agents during the 2001-2005 timeframe. We argue that a lobbying capability is a high level capability that most firms have embedded in their practices as a basis for competitive advantage, but we aim to explicate the dynamics and interactions between its micro foundations (Eisenhardt and Martin, 2000; Bonardi *et al.*, 2006; Oliver and Holzinger, 2008).

Following the typical format of inductive research, our paper addresses the criticism of neglecting managerial coordinative activities, business-government relations and the given context (Hillman *et al.*, 2004; McWilliams *et al.*, 2002). It contributes to the current academic debate in RBV by providing empirical evidence on design choices in corporate lobbying activities that is contextualized in a given policy environment. Building on previous studies that highlight how firms appropriate value through influencing policy (Hillman and Hitt, 1999), we argue that lobbying capabilities are a set of specific and identifiable strategic and operational processes that are used by firms to leverage political resources in the non-market environment. The findings of politically active airlines demonstrate how ownership structures and uncertainty moderate strategic choices in capability design.

### Theoretical foundations

Firms engage in both market and non-market strategies to create shareholder value (Baron, 1995, 2001). Whereas market strategies involve decisions such as product positioning and pricing, non-market strategies are actions taken by the firm in its political, regulatory and social environments for the purpose of increasing or defending firm value (Baron, 1997). Political behavior includes such company activities as lobbying a legislator or regulator, litigating a case in court, and making campaign contributions. Two aspects to understanding lobbying activities are: first, how much lobbying behavior corporations are likely to undertake; and second, whether lobbying will be undertaken from inside a firm or externally using professional lobbyists or trade associations within the industry sphere. These questions are important as they relate to both corporate strategy and the boundaries of the firm. Put another way, an inquiry into senior managers’ choice in designing their internal or external lobbying capabilities will demonstrate that under conditions of uncertainty, managers must make judgments about the correct course of action (Peteraf and Reed, 2007).

Lobbying capabilities and their value to firms is acknowledged in international business and strategic management literature (Baysinger *et al.*, 1985; Getz, 1997;

Boddewyn and Brewer, 1994; Hillman and Hitt, 1999; Henisz and Zelner, 2003). It has preconditions for influencing decision shaping and decision making (Coen, 1998). Keillor *et al.* (2005) suggesting that firms involved in using their lobbying capabilities have three motives for engaging in political behavior: domain advantage, domain defense and domain maintenance. The implied reason for engaging in political behavior can be a desire to pursue the firm's private interest (i.e. domain advantage), to manage public policy that might be at odds with the firm's strategic goals (i.e. domain defense), or to influence public policy that might threaten the means by which a firm achieves its goals (i.e. domain maintenance). A variety of political behaviors can be used to accomplish the firm's overall objective of dealing with political issues. These include business-government relations, political inducements and contributions and, in this study, overt lobbying (Baysinger and Woodman, 1982; de Figueiredo and Tiller, 2001; Henisz and Zelner, 2003; Hillman *et al.*, 2004). The resulting benefits to the firm can include reduced environmental uncertainty, reduced transaction costs and increased long-term sustainability (Hillman *et al.*, 1999). Governments represent major sources of uncertainty for firms because they often control critical resources and opportunities that shape industry and competitive environments (Jacobson *et al.*, 1993; Baron, 1995). As a result, many firms engage in lobbying strategies: proactive or reactive actions to affect the public policy environment in a way favorable to the firm (Baysinger, 1984).

Previous studies have shown that dynamic capabilities can take a variety of forms such as pricing capabilities (Dutta *et al.*, 2003) or entrepreneurial capabilities (Karra *et al.*, 2008). We take the view that lobbying capabilities have been used by large organizations within a wide range of industries to create change or align with change. These industries include oil and gas (Frynas *et al.*, 2006), electronics (Yoffie and Bergenstein, 1985; Lawton, 1996) and air transport (Brown, 1987; Lawton, 1999). Lobbying capabilities are rendered dynamic when they align with non-market change. They are viewed to be high level, strategic capabilities instead of merely operation capabilities (Bonardi *et al.*, 2006). Drawing on Teece *et al.* (1997), Eisenhardt and Martin (2000) and Bonardi *et al.* (2006), we describe lobbying capabilities as:

Corporate political processes, specifically the ways in which a company's senior and acting representatives work together to reconfigure and leverage political resources that an organization uses to respond to or even create non-market change. Lobbying capabilities are thus the organizational procedures by which senior representatives or acting representatives achieve resource configurations that enable the company to adapt to or even anticipate shifts in the corporate political environment.

As noted above, we introduce the concept of lobbying capabilities to understand how senior managers design their lobbying capabilities using strategic decisions to influence government for the compensation package post 9/11. Some researchers have shown that lobbying can occur through internal or external paths as they both use the capacity of firms to leverage skills and resources so as to successfully manage and influence the public policy process (Oliver and Holzinger, 2008). They are specific to the jurisdiction in which the firm operates and allow the firm to configure lobbying strategies to fit the context of a particular situation (Bonardi *et al.*, 2006). These include the networks of relationships between corporate employees and national and local political, regulatory, legal and interest group actors who influence or determine public policy. However, what is not understood in previous studies is how lobbying is designed between state- and

*Internal and external lobbying capabilities*

To examine how lobbying design processes vary between state- and non-state-owned airlines, we first need to make a distinction between internal (unilateral) and external (multilateral) approaches. In doing so, we are challenging the contention that state-owned carriers tend to rely on internal capabilities, leveraging influence through direct interface with national government agents and agencies. Non-state-owned carriers combine this approach with external capabilities exerted through their influence within trade associations and airline networks and the occasional and usually targeted use of contract lobbyists. Existing research on lobbying tends to focus on the amount and type of lobbying that occurs. It has largely omitted the organizational options, combinations and mechanisms, firms have for lobbying, i.e. the action of lobbying from a corporate perspective. Since the seminal work of Olson (1965), economics and management research has focused on the ability of individuals and groups to overcome the free-rider problem in creating collective action (Sandler and Tschirhart, 1980; Bendor and Mookherjee, 1987). While the collective action literature has much to say about the amount of lobbying that occurs, all these studies are less informative when it comes to the design choice of lobbying capabilities (Hillman *et al.*, 1999). The state of scholarly knowledge about lobbying capabilities and how they are combined remains scant when compared with research on strategies for the marketplace (Brown, 1987).

Few scholars view lobbying capabilities as both internal and external to the firm but both can still be embedded in the strategic architecture of the firm (Oliver and Holzinger, 2008). The internal approach refers to lobbying individually while external lobbying refers to corporate political action using trade associations or through contract lobbyists. Furthermore, these arrangements of internal and external lobbying capabilities in Europe respond differently to different environments (Kyrou, 2000). But those lobbying capabilities considered in this paper leveraged on both internal and external political resources. These political resources are embedded in trade associations, contract lobbyist, lawyers and in-house government affairs departments (de Figueiredo and Tiller, 2001).

*Managerial choices, political resources and the policy context*

With this array of political resources available to airline companies, why were certain options pursued exclusively or primarily in specific policy contexts? It is at this juncture that we consider managerial choice and resultant actions. The senior managers choices and their focused strategic action are important topics to be looked at in understanding the design of dynamic capabilities (Peteraf and Reed, 2007; Pandza and Thorpe, 2009; Ambrosini *et al.*, 2009). The idea of senior management exercising lobbying action in a concerted fashion to manage its political environment is not recent. Fainsod (1940) suggested that an industry obtains a favorable regulation by its capacity to mobilize three kinds of resources: financial (political campaign financing), human (the use of lobbyist and lawyers) and political (political coalition-building). The notion of senior management assembling specific resources and skills was also mentioned by Leone (1977) and Peteraf and Reed (2007), while Yoffie and Bergenstein (1985) spoke of the accumulation by firms of relationship capital. Within the political science literature,

the notion of relationship resources that create capabilities has been suggested, but the theory on managerial choices is underdeveloped and empirical evidence has some shortcomings (Dahan, 2005). Designing lobbying capabilities require management interventions. Some studies have found that in specific regulatory contexts, the impact of a policy will be unequal across different firms (Coen, 1997, 1998). Firms with differing resource bases to manage their political environment will have different responses to expectations about profitability and investments in political situations (Oliver and Holzinger, 2008). Given the incremental nature of capability design, firms that seek to design superior capabilities as the basis of sustainable competitive advantages must prevent the overall coherence of their capability design efforts from being eroded (Helfat and Peteraf, 2003). Somewhat paradoxically, this makes the choice of lobbying actions an important factor to consider in different environmental context types. Lockett *et al.* (2009) have critically highlighted that dynamic RBV tends to focus on consequences of firm heterogeneity but more scholarly attention needs to be devoted to capability and resource functionality and design. Together, these gaps lead to the first research question of this study. How do the senior managers of European airlines design lobbying capabilities in unpredictable policy contexts?

Henisz and Delios (2004) argue that two types of environmental uncertainty exist: one predicated on lack of information about a particular environment and the other arising due to a change in that environment. Their research examines foreign direct investment decisions in the context of environmental uncertainty in host countries. Building on the Henisz and Delios (2004) definition, our study is framed by environmental uncertainty resulting from what we term predictable and unpredictable policy contexts. The predictable context is one in which the firm expects to be confronted by policy decisions, stakeholders, issues or actions within a non-market political system, e.g. the onset of market deregulation (Kim and Prescott, 2005). As a result, the firm must proactively react to this unanticipated policy context. Our study focuses on the less certain, unpredictable policy context. Building on Brink (2004) and Oliver and Holzinger (2008), we define our chosen unpredictable policy context as:

An unpredictable policy context is where the firm is unexpectedly confronted by policy decisions, stakeholders, issues or actions within a political system. As a result, the firm must react to this policy context.

The chosen context in this investigation is one in which unpredictable policy outcomes came about as a result of events post the 11 September 2001 (hereafter 9/11) terrorist attacks in the USA. The attacks had significant impact on both the USA and international airlines. Within this context, European airlines that operated transatlantic services came to learn quickly that sustaining their competitive positions was reliant on effective lobbying of the European Commission and national governments. This was to secure compensation to support their growing debts, exacerbated by a fall in demand and extra costs associated with new government security policies (Tarry, 2005; Bonham *et al.*, 2006). If airline firms did not lobby, they risked receiving less aid and consequently undermining their market positions. The compensation package stimulus was where airlines wanted European governments or the European Commission to compensate them for the loss in revenues caused by the grounding of their fleets in the USA immediately after the 9/11 attacks.

In this paper, we consider the relative importance of managerial choices in designing lobbying capabilities. This enables us to understand the degree to which lobbying

capabilities are configured in conjunction with the unpredictable policy context. We also focus on the role of a senior management team's strategic focus, or what some scholars call management choices (Peteraf and Reed, 2007), in designing lobbying capabilities so as to understand the components and interactions of resources. Finally, we concentrate on the interconnectivity between lobbying capability and an organization's unpredictable policy context. From the gaps highlighted above we arrive at our second research question. Are there any specific patterns of strategic action associated with the design of lobbying capabilities in state versus non-state airlines?

### **Methodology**

This study used a qualitative methodology, specifically a multi-case design which supports theory replication logic whereby a set of cases is treated as a series of experiments, each serving to confirm or disconfirm a set of concepts (Yin, 1999). As a result, these concepts begin to uncover complex processes of capability construction but especially indicate promising future iterations of data collection and analysis. In this study, our primary unit of analysis is how lobbying capabilities are designed in the airline industry.

#### *Sampling*

The choice of this industry – and specifically European long haul carriers – is largely due to its degree of politicization. The European airline industry has been fraught with politics and governmental interference since its inception and airlines have had to battle with the politics of regulation and deregulation, both domestically and internationally (Brown, 1987; Staniland, 2003). We identified several firms that met our initial criteria of:

- operating scheduled transatlantic services;
- having a significant historical perspective (i.e. were not recent start-ups); and
- making statements in press releases or via the media that they were in the process of reconfiguring some important aspect of their lobbying activities.

We contacted all these firms (state and private owned) and subsequently selected five (Table I), based on willingness to provide interview access to their political affairs managers.

#### *Data sources*

We asked political affairs managers and directors what lobbying actions they employed in response to the 9/11 attacks and their responses shaped our research phenomenon. We posed key questions to all our respondents around the strategic responses undertaken in organizing their internal and external capabilities to create influence. Furthermore, we asked them to highlight which resources and processes were perceived to be important during these challenging times. Finally, we asked them if they were using existing capabilities or developing new capabilities.

Data were collected through in-depth, semi-structured interviews and documented archival data between 2001 and 2005. We interviewed the directors, presidents and managers of political, government, aeropolitical and public affairs, as well as members of the top management team at the next level of the hierarchy who were responsible for the areas targeted for lobbying development during the chosen policy

Airlines	Ownership	Number of employees	Country of origin
SAS <sup>a</sup>	21.4% Swedish state 14.3% Danish State 14.3% Norwegian state 50% Private interests	13,528	Norway Sweden Denmark
Alitalia	62.4% State ownership 35.7% Private ownership 2% Air France	20,575	Italy
TAP Air Portugal	100% State ownership	5,750	Portugal
Lufthansa <sup>a</sup>	91.4% Free float 8.6% Block ownership	90,673	Germany
KLM <sup>a</sup>	100% Public quoted company (2001) 96% KLM/Air France (2004)	37,487	The Netherlands

Note: <sup>a</sup>Majority public quoted

**Table I.**  
Nationality and  
ownership of the case  
study airlines

context and period. We also interviewed industry experts to enhance validity. We conducted in total 42 interviews, ranging in duration from 50 to 90-minutes telephone and in-person interviews. All interviews were recorded and transcribed in English. Several hundred pages of documents involving lobbying activities during this period were available for most airlines. Access to the lobbying documents provided extremely detailed descriptions of selected lobbying processes, as confirmed by key informants.

### Analysis and findings

The preponderance of dynamic capabilities literature tends to describe the specific capabilities of an organization as homogenous and separate from management judgment (Bowman and Ambrosini, 2003). In contrast to this common view, our study of micro-processes that embody lobbying capabilities revealed variations in enactments of lobbying capability design. Our analysis allows a fine-grained interpretation of how managerial choices in designing lobbying capabilities used both internal and external means and resource configurations (human, network and organizational). However, these design choices and logics had some performance consequences across the five case studies.

#### *Lobbying capability design patterns*

Our empirical evidence derived from each case individually led to two important findings. First, each of the strategic choices taken by private- or state-owned airlines distinctively affected the design characteristics associated with the senior management's choices in lobbying action (Schwenk, 1988). High levels of focused senior management action led to design variations in the lobbying capabilities that was proactively controlled in private-owned airlines, but less so compared to state-owned airlines. One important aspect of these controlled strategic actions was that sense giving by senior management tended to occur in an organized, systematic fashion, rather than *ad hoc* (Schwenk, 1988): focused management priorities were dominated by scheduled meetings, formal committees and planned action with restricted attendance, rather than by informal meetings. Strategic action occurred in this controlled way because senior management

drew on their formal authority to design their lobbying capabilities in order to influence to receive a compensation package for the grounding of their planes.

A second key aspect of controlled strategic actions was that a significant amount of focused approach occurred in private airlines between policy makers and senior management, rather than the loose approach taken by the more state-owned airlines that used mainly trade associations to lobby for the compensation package. Senior management from private-owned airlines leveraged key resources available to them – namely human and network – from the onset of 9/11, to defend their financial position so that they could influence policy makers for the compensation package.

The strength of the evidence and whether or not management action was focused on specific political resources did actually explain differing designs in lobbying capabilities between private and state. We had not originally expected the design patterns to exhibit such divergent pathways. Nevertheless, our non-state and state airlines – both strongly supported by scientific evidence but displaying very different design outcomes – represented such polar cases. The evidence for this will be unfolded in the next sections.

*Choosing between internal and external lobbying capabilities*

All five airlines were not found to be lobbying the US Government at any time for compensation package rising from 9/11, as it was viewed to be the less effective route according to managerial choices. We found that senior management teams took decisions to design a lobbying capability by shifting the focus from the national level to the international – or supranational – European Union (EU) level, as time played a vital role in decision making. There was a cross-over in lobbying between the national and international targets, as airlines started to talk to their own governments first, followed by EU level government members, but then realized that the Association of European Airlines (AEA) was the fastest route to create influence.

The internal and external capabilities were used to leverage on three specific political resource types, as shown in Table II. Our analysis indicates that political resources used by European long haul airlines in the post 9/11 unpredictable context were comprised of mainly human and organizational resources. But physical resources were often replaced or superseded by another resource. Most of our respondents repeated the words “network resources”, as being crucial to developing a lobbying capability. Therefore, we conceptualize political resources as being comprised of three subdivisions: human and organizational as Barney (1991) noted but with the addition of network resources (Granovetter, 1973).

From the cross-case analysis, we found a combination of internal and external capabilities that were used to leverage on political resources in the unpredictable policy context to create influence. But in private-owned airlines, the management priority at the

**Table II.**  
Political resources leveraged in an unpredictable context

Political capital	Selected quotes from the interviews
Human	Knowledge, training, intelligence, insight and experience obtained in areas such as law, economics, political and management
Network	These networks include formal, e.g. being a member of an association or committee and informal, e.g. friends within the political system. Also, relations among groups within a firm and those in the non-market environment
Organizational	The formal organizational structure, its planning and coordinating systems



start was on using internal lobbying capabilities to leverage political resources, compared to state-owned airlines that used more external capabilities. We came to learn that eventually both airline types used mainly the AEA to lobby post 9/11 because they had less time to maneuver in this unpredictable period. It was believed that the airlines wanted to leverage their external relationships but did not have time to do so. Furthermore, as most airlines had similar problems, they believed that the AEA (being a strong external network resource) would have more influence than a single route approach. As one informant from a private-owned airline put it:

We were using a combination of lobbying processes. These routines were the same as the ones used in other issues but in greater frequency and different combinations. The routines were used to influence our governments and EU level political actors. This was an extraordinary event so we used a mix of capabilities that we believed would create positive influence. These combinations are not a strict recipe but more dependent on what our owners have in mind.

From the in-depth cross-case analysis of the evidence, we found political resources to be leveraged, reconfigured and deployed using internal capabilities (e.g. sending emails, formal letter writing, talking to friends from within the firm) and external capabilities (e.g. using AEA to email and organize various important meetings). Moreover, we found that strategic actions involved structural investments, human capital investments and network relationship investments in the design of the lobbying capabilities. However, at a micro level, internal or external lobbying capabilities were used differently between the private- and state-owned airlines.

#### *The role of management choice in designing lobbying capabilities*

Our data suggest at the core of lobbying capability design were the approaches of individual political affairs managers. These people played an important role in developing the content of lobbying process. It reflects the interaction between management and its environment and it also shows how an organization manages this relationship (Simon, 1947; Ginsberg, 1988; Walsh, 1995; Gavetti, 2005). Our research suggests that learning by doing is one part of the process in order to make sense of lobbying context and content (Thomas *et al.*, 1993; Chang, 1995; Anand and Khanna, 2000). Prior work shows that leaders and managers often possess attributes that make them better at making decisions as they go along rather than planning a decision-making process in advance (Allinson *et al.*, 2000). Likewise, the fast pace and stages that need actors to be reactive or proactive makes many lobbying processes less valuable when one has to plan far in advance. Some research contends that executives are better served by learning processes through systematic observation of outcomes instead of through pre-planned materials that may be outdated or obsolete for the current situation (Bird, 1988). In this way, our data suggests that the content of lobbying capabilities begins to form before there is any “doing” at all. As one informant put it:

We learn by doing. I am always learning at home. In fact that is how we build our decision-making process by doing things as we go along. I get home and start to think about the issues on the plate, and then I refer to my library [ . . . ] in this context, we determine our decision on the choice of level and type of strategy. Then we consider the content for our argument to influence, the targets to contact and the mode of direct or indirect lobbying.

Rather than jumping in and using a *laissez-faire* path creating strategy, directors of political affairs used their choices from previous experience and learning to channel

and fuel their decisions on the lobbying process. In this way, management thought plays a very important role in developing the architecture of lobbying capability. Consequently, we found that ownership played a vital role in defining the design of the lobbying capability based on networks, structure and human resources.

Tables III and IV summarize the evidence involved in advancing the choices in design, together with the inter-group issues needing to be resolved before the lobbying would be undertaken. For example, the private- and state-owned airlines revealed different patterns of lobbying practices using their internal and external capabilities (Lyon and Maxwell, 2004): the use of trade association for the compensation package versus action from within the firms and above all the question of where and by whom lobbying should be delivered.

This debate was associated across all cases with emergency policy initiatives on steps to help airlines stay financially sound. A national transport group was set up on this issue and included representatives of the airline profession, ministers and advocacy groups. The following proposition summarizes the nature of the actions associated with lobbying capability design:

- P1.* In unpredictable policy contexts, the policy environment moderates the lobbying capability design choices more significantly in state-owned airlines than in privately owned airlines.

#### *Assemble the structure to design the lobbying capabilities*

One of the ways through which lobbying capabilities are designed – as found in all five firms – was adapting the lobbying capability of the firm. We use the term “adapting” because it was used by one of our informants and adequately reflects the notion. Informants expressed that they were working towards bringing lobbying process to “the following stage” in the unpredictable policy context. Different organizations and their respective departments of political affairs focused on different aspects of management and organizing in order to develop their lobbying processes to influence regulators on insurance coverage, security cost and compensations package issues. For instance, developing a lobbying capability was associated with greater levels of departmental re-structuring among the top management teams from state-owned airlines as opposed to privately owned or publicly listed airlines. In other words, for mainly state-owned airlines, lobbying activities in this challenging policy context changed, often leading to structural reorganization and formal redefinitions of the responsibilities of new units and substructures within the political affairs office. These state-owned airlines transferred most of their lobbying efforts to interest group representation – through the AEA – within weeks of the 9/11 attacks.

On the other hand, the privately owned airlines did not spend time re-structuring their departments at the outset like government-owned airlines did. Instead, the decision making focused initially more on individual influencing with specific national targets, but then realizing that time was of the essence, these firms adopted a dual pronged strategy. This dual-pronged lobbying strategy had an individual lobbying component but with a greater level of responsibility transference for decision making to interest group representation – the AEA – where there was more of an attempt for a joint problem-solving strategy. An informant explained the rationale in more detail from a state-owned airline:

Case	Political resources leveraged	Quotation exemplifying the depth of the debate
SAS private owned	Networks	We were lobbying the EU system mostly through AEA but we also obviously used our national EU representatives. We addressed the Scandinavian governments and parliaments for the compensation package <sup>a</sup> To make sure people hear you, you must contact your top trumps quickly, then start contacting other friends at other airlines and the AEA <sup>a</sup>
	Human	We kept everything in-house, as that is the best way to keep control on outcomes. Yes, everything was done in-house, so that we could save money. Hiring consultants is far too expensive and we need to keep the influence knowledge in house <sup>a</sup>
	Structure	At this time we needed to be effective, efficient and more serious about lobbying. Influence on the political decision-making process cannot be made from a distance. You have to be there, physically present in the Brussels environment. That is a structure we introduced before 9/11 – in 2000. Therefore, there was no real change in our structure. But this was different in state-owned airlines <sup>a</sup>
Lufthansa private owned	Networks	I think you could say that in this context building new networks was not important because we already had the networks and time was knocking on our door. In general, I would say the first most important thing we used would be the current network from our people. The second thing is that our organization has a strong reputation, so this helps to build up such a network and keep your network healthy. Of course the contact maker has to be well connected and articulate in relaying the information <sup>a</sup>
	Human	The contacts cannot be born overnight. It is more complex in our lobbying design. For example, in our department after September 11 we had few people from different fields of knowledge. We had thinkers – which is important – and then contactors. At least that is how we worked then and still work <sup>b</sup>
	Structure	We did not change our structure. We remained structurally intact with no modifications. Like I said earlier. This department is very specialized and each person plays a very important role. Lufthansa can be weakened if any of them are taken out of the big picture. Yes other departments did lose people, like in marketing, but our function is viewed as a very important function <sup>a</sup>

(continued)

**Table III.**  
Managerial choices in an unpredictable context (non-state-owned airlines)

Case	Political resources leveraged	Quotation exemplifying the depth of the debate
KLM private owned	Networks	Well, post 9/11, we built it both ways. We like to form them naturally and by actually targeting specific people we know that might help us in achieving what we want. We were contacting all the people that we knew had power to get the insurance issue, aviation cost issue and compensation package issue resolved without affecting our revenue <sup>a</sup>
	Human	Post 9/11 meant that we had to react quickly, as time meant less money and potential future problems. Having to react quickly meant that we had no time to recruit new people, and in actual fact it did not make sense hiring new people in this time for us <sup>a</sup>
	Structure	What we have done is we have slightly re-structured in such a way that we were getting smaller in number slowly after 9/11. My department is now just four while there were five other people in the same area in 2001 <sup>a</sup>

**Notes:** The superscripts alphabet show the strength of evidence from KLM, SAS and Lufthansa; <sup>a</sup>strong – strong evidence; <sup>b</sup>moderate – moderate evidence; <sup>c</sup>weak – weak evidence

Table III.

In this crazy environment, we invested more time into structure of our lobbying than in private-owned airlines like BA.

This finding confirms an extant view of dynamic capabilities as constrained by the structural organization of firms (Teece *et al.*, 1997). At the same time, it refutes existing views that organizational structures tend to be static and impede the development of a firm's dynamic capabilities (Marengo *et al.*, 2000). Our observation suggests that state-owned airlines were re-structuring to reconfigure their lobbying capability so as to align it with the new policy environment, while private airlines had a more sophisticated lobbying capability that was better prepared for unpredictable events. Moreover, private airlines had what they perceived to be good political resources and lobbying competencies for the post 9/11 period, which they used to exert individual influence from the outset. Indeed, departmental modification was found to be slightly different between private and state-owned airlines. Privately owned airlines believed that they needed to focus more on the human and network resources to modify their lobbying capability. There were some interaction effects between organizational structure and human resources, where people were taken out to develop lobbying capabilities in order to make it efficient for potentially new policy issues. Incidentally, we found that efficiency was dictating the lobbying capability development process and as a result of this, policy context was creating a sort of push effect on airlines. The nature of the accounts arising from the focused management choices on structure is summarized in the following proposition:

P2. In unpredictable policy contexts, department restructuring occurs more substantively in state-owned airlines than in private-owned airlines.

Case airline	Political resources leveraged	Quotation exemplifying the depth of the debate
Alitalia majority public owned	Networks	Being a state airline means obviously that we can talk to the national government. The ownership plays a big role in deciding how to lobby. In our case because we are a government-owned company, we do not have to lobby the same ways as British Airways or KLM. We spoke directly to the government, but mainly used AEA due to time factor in this context <sup>a</sup>
	Human	We had people with some good knowledge in place to deal with the issues arising from 9/11. But you need more time to influence at the EU level. Maybe our structure and competence was more nationally oriented then EU level, which we tried to fix around 2004 by hiring new people <sup>a</sup>
	Structure	We re-shaped in early 2002 and did the main re-structuring around 2003. But we definitely re-enforced our lobbying activities because of all the consequences of the 9/11 attacks <sup>b</sup>
TAP Air Portugal majority public owned	Networks	We used direct contacts, had meetings and phone calls with the treasury, which was not that successful in my view. But yes, I believe that AEA was the most important way to get our message heard <sup>a</sup> I think we were slightly limited in who we could talk to being government owned. But this can be good, as you can well imagine, being owned by the government means you can organize meetings quickly with important people to inform them about your position. This means we can be heard in Europe quickly. As we all know there are good things and bad things to being owned by a state <sup>a</sup>
	Human	We realized that we needed new people who had better EU knowledge, as that is where things were moving <sup>b</sup> People are important and we think that 9/11 hit us hard. We had to lobby using various routines like meetings, communicating using our phones and face to face, but our people were less EU focused. Therefore, AEA became a very important channel for us to have our voice heard <sup>b</sup>
	Structure	Oh yes, it became even more crucial to re-structure our department after 9/11. Actually that is when they hired me. They changed a bit the profile of the director for that position in the sense that before the person that was in charge had a more national background. After September 11, I was recruited because our firm wanted someone that had more of an EU background <sup>b</sup>

**Notes:** The superscripts alphabet show the strength of evidence from TAP Air Portugal and Alitalia; <sup>a</sup>strong – strong evidence; <sup>b</sup>Moderate – Moderate evidence; <sup>c</sup>weak – weak evidence

**Table IV.**  
Managerial choices in the  
unpredictable context  
(state-owned airlines)

*Assemble the human resources to design the lobbying capabilities*

Another important variable confirming ideas from extant research on dynamic capabilities is human capital, which links them to changes in specific functional capabilities (Eisenhardt and Martin, 2000) and knowledge flows (Helfat and Raubitschek, 2000). However, our observations accord greater importance to the role of human capital in the process of developing lobbying capabilities. In particular, it appears that identifying and gaining access to what is considered top talent in the area of government affairs is an important factor in designing lobbying capabilities. As one informant from a state-owned airline said:

Post September 11th we realized that we needed new people who had better EU knowledge, as that is where things were moving.

Furthermore, our research highlights the role of organizational processes not only in design but also in discovering what new lobbying capabilities should be developed. Together, these insights suggest that the development of firms' lobbying capabilities can be understood as change processes unfolding at two levels: a lower level associated with the upgrading of the organization's management capability in terms of staffing key positions with more experienced and skilled managers and redefining responsibilities at different levels of the organizational hierarchy; and a higher level associated with developing new lobbying competencies in order to respond to changing political environments. These two levels are driven by changing perceptions of top managers about what it takes to succeed in their non-market contexts and what managerial and lobbying competencies are required to respond to the changes.

Analyzing the data across all five firms suggested that the momentum for design choices in lobbying capabilities depended on the amount of competency that the organization managed to accumulate, which depended on who was hired. Therefore, interaction effects and overlaps were found between human resources and competence that played a role in developing a lobbying capability. The following summarizes the nature of the action associated with fragmented lobbying capability design:

- P3. In unpredictable policy contexts, strategic hiring moderates the structure of lobbying capabilities more significantly in state-owned airlines than in private-owned airlines.

*Assemble the network relationship to design the lobbying capabilities*

Third, the development of lobbying capabilities frequently entails the creation of new lobbying competencies by means of re-configuring network resources. Relationships (also called social capital or networks), were stipulated by nearly all informants as an important variable in the development of lobbying capabilities. Cast in diverse styles of argument (Granovetter, 1973; Lin *et al.*, 1981; Coleman, 1990; Nahapiet and Ghoshal, 1998; Finkelstein *et al.*, 2007), social capital has become a ubiquitous metaphor in the study of organizations. The compelling idea embodied in the notion of social capital is implicitly or explicitly present in various research streams that focus on how social ties enhance an actor's ability to attain its goals. This research identifies one main way in which political networks can enhance individual and organizational performance. First, political networks can facilitate access to information, additional resources, and opportunities (Campbell *et al.*, 1986; Podolny, 2001). Thus, actors with networks rich in social capital have privileged access to resources and non-market information,

and this should make them better at leading, organizing, and mobilizing other actors towards collective goals. As one executive informant put it:

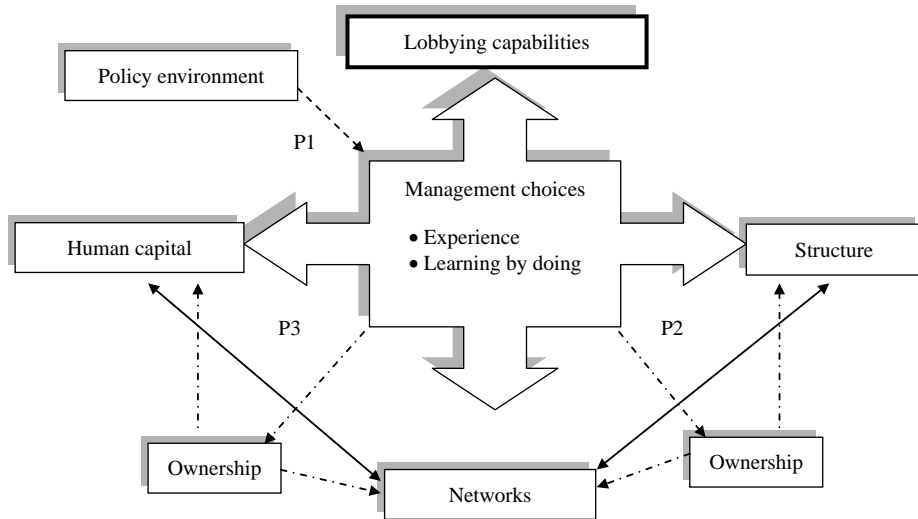
Being a state airline means obviously that we can talk to the national government. The ownership plays a big role in deciding how to lobby. In our case because we are a government-owned company, we don't have to lobby the same ways as British Airways or KLM. We spoke directly to the government, but mainly used AEA due to time factor in this context.

Early research on social capital focused on the value of relationships as conductors of information and channels to access resources or social support (Lin *et al.*, 1981). Consistent with the emphasis on relationships, this research has found the strength of the ties between network resources and the top management team within the political affairs office to be very important in facilitating access to the appropriate political information and resources. Vice versa, we found that government receiving position papers from airlines allowed them to understand the severity of the problem or challenge-facing airline companies. We also found two main ways in which the structure of the network surrounding a given top management team can confer advantage on the firm by facilitating access to information resources, and opportunities – and by helping to overcome dilemmas of collective action (Burt, 1997). First, the structure revolved around the relationship influence series, where the actual order of who to contact was crucial in determining what informers called “best” influence. Second, the relationship micro targets, meaning whom to target, in this time frame, played a vital role. It was management action that determined the relationship series and target for each senior executive. This management intent played a vital role in developing robust lobbying capability.

As the time factor played an important role, the airlines were looking to exert rapid influence during this period, so they decided to use the AEA, which had extensive networks and resources, while simultaneously using their own network resources to develop lobbying capabilities. The level of development of lobbying influence depended on the structural configuration that the organization managed, which depended on who was hired and worked at the organization. Therefore, interaction effects and overlaps were found between the structure and the network that played a role in developing lobbying capabilities.

The way in which top management intervene plays a very important role in developing the design for lobbying processes. Our integrated framework shown in Figure 1 introduces the propositions and the system of variables pertaining to lobbying capability design. We first describe relationships between the senior managers, the owners and the three main resources (structure, networks and human capital). We then examine how the policy context parameters moderate the design choices of lobbying capabilities. It is important to note that we provide an integrated theoretical construct that extends the dynamic capability perspective by unbundling the links between managers, resources and capabilities, taking into account airline features and context. The central part of Figure 1 shows the reciprocal relationships between the components that emerged dynamically in the course of specific lobbying actions for the compensation package.

It is worth noting that although Figure 1 sets management choices at the centre of the framework, indirectly suggesting that management is able to steer networks, human capital and structure, this is only true to some extent. We know that management



**Figure 1.**  
An integrated framework  
for lobbying design

choices (Child, 1984) are also constrained by a set of uncertain – and uncontrollable – events. The latter means that the effectiveness of managerial choices is dependent on the nature of external and dynamic uncertain events and, as such, has limitations.

### Discussion and contribution

In this paper, we addressed the answer the question of “how” lobbying capabilities were designed and whether distinct lobbying patterns emerged during this unpredictable period in different airlines. We found that the role of the policy environment and ownership effects play a crucial role in senior managers design choices of a higher level lobbying capability combination (internal and external). Furthermore, the rationale shows that management interventions are affected by their resource endowments and the given policy environment, which ultimately impacts how lobbying capabilities are designed and combined to create influence. Each lobbying activity during this period required relevant doses of directed, conscious efforts at the highest level of the organizational and trade association management hierarchy (Dosi *et al.*, 2000).

Recent work on the design of dynamic capabilities has emphasized the constraining effect of organizational history, organizational learning, technological trajectories, evolutionary paths created by organizational routines and beliefs of top managers which tend towards inertia (Teece *et al.*, 1997; Tripsas and Gavetti, 2000; Salvato, 2009). These studies attempt to explore the high-level activities that link to management ability to sense and then seize opportunities (Teece, 2007; Salvato, 2009). However, these studies do not explore how strategic managers can design capabilities to navigate and deal with unanticipated threats. Our study examines how managers in a specific industry and policy context sense and seize external opportunities so as to design dynamic capabilities that are used effectively during periods of policy uncertainty (Teece, 2007).

Our first contribution is to highlight a heterogeneous combination of internal and external lobbying capabilities. These are utilized differently by state and non-state-owned airlines to leverage on their political resources so as to create influence



and consequently obtain favorable compensation package. Recent work has looked at how various capabilities interact with each other to sustain competitive advantage (Salvato, 2009). We build on those studies to identify different capability design patterns between state and non-state-owned airlines in the way they combine and aggregate their lobbying capabilities. The general patterns found combinations of capabilities with the management focus level inclined towards the external lobbying processes for leveraging and deploying resources in order to create influence. From the outset, this was more the case in state-owned airlines than in non-state-owned airlines post 9/11. Yet according to the respondents, the pattern was fairly similar after a few months for both state and non-state airlines (apart from Lufthansa, who believed they used a more balanced process combination). Nevertheless, the shift to the external lobbying processes occurred because airlines believed that they had less time to maneuver and everyone had common interests on the compensation issue. The decision to leverage AEA's resources was more to defend competitive positions.

Having looked at the combination aspects of internal and external lobbying capabilities, our second contribution is to note that dynamic capability literature has neglected to look at the effects of ownership on capability design through adaptations. In our post 9/11 context, we find that the capability design is either supported or constrained by ownership structure. Moreover, we find that the privately owned airlines have a more sophisticated political capability design, and rely less on external capabilities but instead try to use both internal and external capabilities.

Finally, research has elaborated the concept of managerial choice to refer to the capacity of individual managers to modify the resource base of an organization (Adner and Helfat, 2003). Our inductive lobbying capability design framework has multiple implications for government affairs managers. In particular, managers need to be able to acquire, accumulate (political resource endowment), and divest political resources (political resources, i.e. interest groups like AEA, consultants or in-house staff) to have the most effective resource portfolio at any given time. Managers should also have the competence necessary to bundle resources to create effective political lobbying capabilities. Firms especially need to be able to develop new or leverage current lobbying capabilities, as policy environmental changes can greatly reduce the value of their current capabilities. Managers must also effectively manage the feedback and learning processes necessary to continuously update their thinking and adjust the political resource portfolio.

### Conclusions and future directions

Previous studies on lobbying capabilities are missing an account of how these capabilities are designed over time in a given policy context. This paper addressed that issue by providing an account of the genesis and design of lobbying capabilities within European flag carrier airlines in the post 9/11 period. It also highlighted that there were design variations due to ownership effects on the strategic decisions.

Our study suggests that lobbying capabilities are not vague and that, if properly leveraged, may contribute to market advantage. Our data show lobbying capabilities relate to specific processes that are developed by a set of strong and distinct variables. Data also show that the design of lobbying capabilities depends on focused management effort, and these management mindsets consist of particular types of heuristics that include those about how to affect public policy, e.g. which politician to target,

which networks relationship to invest in, in what order to approach the networks and when to best influence the relevant political actors (Vining *et al.*, 2005). While the details of lobbying capability may be unique to a particular firm – which political person to approach or which network to target – the underlying structure is strikingly different between private and state airlines. These content differences – and similarities – imply that lobbying capabilities should be internal or/and external in structure. The unequal level in the lobbying capability is due to senior managers developing them from different starting points and along different evolutionary paths (Eisenhardt and Martin, 2000). Our research findings also show that lobbying capabilities are fairly homogeneous in unpredictable contexts in a later lobbying capability time frame, whereas heterogeneity is more evident in the early phase.

Looking at the management choices of senior executives across the different ownership compositions and issues reveals that privately owned airlines shared a common form of design choice in this unpredictable policy context. This pattern suggests that policy issue types may affect the mindset of senior management, in conjunction with stakeholders that they engage with, and this consequently affects the lobbying capability design choices. We can see that each airline in this study demonstrated two types of lobbying form – internal and external. This raises the issue of investing more in internal lobbying capabilities versus external capabilities. This finding suggests that there may be firms in which leaders inevitably become involved in developing their lobbying around any policy issue and others in which there are dynamic sets of stakeholders (owners) who almost always seek to contribute to the formation of lobbying capability, irrespective of the policy issue.

This paper raises important questions for future research on dynamic capability and corporate lobbying activity. In particular, on the antecedents of political lobbying – especially the role of the specific policy issue and organization involved in determining the form (the distinct pattern of leader-ownership interaction) of lobbying capability development. Although in this study neither ownership nor organization alone determined the form of lobbying, each appeared to have some impact.

## References

- Adner, R. and Helfat, C. (2003), "Corporate effects and dynamic managerial capabilities", *Strategic Management Journal*, Vol. 24 No. 10, pp. 1011-25.
- Allinson, C., Chell, E. and Hayes, J. (2000), "Intuition and entrepreneurial behavior", *European Journal of Work and Organizational Psychology*, Vol. 9 No. 1, pp. 31-43.
- Ambrosini, V., Bowman, C. and Collier, N. (2009), "Dynamic capabilities: an exploration of how firms renew their resource base", *British Journal of Management*, Vol. 20, No. S1, pp. S9-S24.
- Anand, B.N. and Khanna, T. (2000), "Do firms learn to create value? The case of alliances", *Strategic Management Journal*, Vol. 21 No. 3, pp. 295-315.
- Barney, J. (1991), "Firm resources and sustained competitive advantage", *Journal of Management*, Vol. 17 No. 1, pp. 99-120.
- Baron, D.P. (1995), "The nonmarket strategy system", *Sloan Management Review*, Vol. 37 No. 4, pp. 73-85.
- Baron, D.P. (1997), "Integrated strategy in international trade disputes. The Kodak-Fujifilm case", *Journal of Economics & Management Strategy*, Vol. 6 No. 2, pp. 291-346.

- Baron, D.P. (2001), "Theories of strategic nonmarket participation: majority-rule and executive institutions", *Journal of Economics & Management Strategy*, Vol. 10 No. 1, pp. 47-89.
- Baysinger, B. (1984), "Domain maintenance as an objective of business political activity: an expanded typology", *Academy of Management Review*, Vol. 9 No. 2, pp. 248-58.
- Baysinger, B. and Woodman, R. (1982), "Dimensions of public affairs/government relations function in major American corporations", *Strategic Management Journal*, Vol. 3 No. 3, pp. 27-41.
- Baysinger, B., Keim, G. and Zeithaml, C. (1985), "An empirical evaluation of the potential for including shareholders in corporate constituency programs", *Academy of Management Journal*, Vol. 28 No. 1, pp. 180-200.
- Bendor, J. and Mookherjee, D. (1987), "Institutional structure and the logic of ongoing collective action", *American Political Science Review*, Vol. 81 No. 1, pp. 129-54.
- Bird, B. (1988), "Implementing entrepreneurial ideas: the case for intention", *Academy of Management Review*, Vol. 13 No. 3, pp. 442-53.
- Boddewyn, J.J. and Brewer, T. (1994), "International-business political behavior: new theoretical directions", *Academy of Management Review*, Vol. 19 No. 1, pp. 119-44.
- Bonardi, J.P., Holburn, G.L.F. and Vanden Bergh, R.G. (2006), "Nonmarket strategy performance: evidence from US electric utilities", *Academy of Management Journal*, Vol. 38 No. 1, pp. 288-303.
- Bonham, C., Christopher, E. and James, M. (2006), "The impact of 9/11 and other terrible global events on tourism in the United States and Hawaii", *Journal of Travel Research*, Vol. 45 No. 1, pp. 99-110.
- Bowman, C. and Ambrosini, V. (2003), "How the resource-based and the dynamic capability views of the firm inform corporate-level strategy", *British Journal of Management*, Vol. 14 No. 4, pp. 289-303.
- Brink, C.H. (2004), *Measuring Political Risk: Risks to Foreign Investment*, Ashgate, Aldershot.
- Brown, A.E. (1987), *The Politics of Airline Deregulation*, The University of Tennessee Press, Knoxville, TN.
- Burt, R. (1997), "The contingent value of social capital", *Administrative Science Quarterly*, Vol. 42 No. 2, pp. 339-64.
- Campbell, K., Marsden, P. and Hurlber, J.S. (1986), "Social resources and social economic status", *Social Networks*, Vol. 8, pp. 97-117.
- Capron, L. and Chatain, O. (2008), "Competitors' resource-oriented strategies: acting on competitors' resources through interventions in factor markets and political markets", *Academy of Management Review*, Vol. 33 No. 1, pp. 97-121.
- Chang, S.J. (1995), "International expansion strategy of Japanese firms: capability building through sequential entry", *Academy of Management Journal*, Vol. 38 No. 2, pp. 383-407.
- Child, J. (1984), *Organization – A Guide to Problems and Practice*, 2nd ed., Harper & Row, London.
- Coen, D. (1997), "The evolution of the large firm as a political actor in the European Union", *Journal of European Public Policy*, Vol. 4 No. 1, pp. 91-108.
- Coen, D. (1998), "The European business interest and the nation state: large-firm lobbying in the European Union and member state", *Journal of Public Policy*, Vol. 18 No. 1, pp. 75-100.
- Coleman, J.S. (1990), *Foundation of Social Theory*, Harvard University Press, Cambridge, MA.
- Cuervo, A. and Villalonga, B. (2000), "Explaining the variance in the performance effects of privatization", *Academy of Management Review*, Vol. 25 No. 3, pp. 581-90.

- Dahan, N. (2005), "A contributions to the conceptualization of political resources utilized in corporate political action", *Journal of Public Affairs*, Vol. 5 No. 1, pp. 43-54.
- de Figueiredo, J.M. and Tiller, E.H. (2001), "The structure and conduct of corporate lobbying: an empirical analysis of corporate lobbying at the Federal Communications Commission", *Journal of Economics & Management Strategy*, Vol. 10 No. 1, pp. 91-122.
- Dewenter, K.L. and Malatesta, P.H. (2001), "State-owned and privately owned firms: an empirical analysis of profitability, leverage, and labor intensity", *The American Economic Review*, Vol. 91 No. 1, pp. 320-34.
- Dosi, G., Nelson, R.R. and Winter, S.G. (Eds) (2000), *The Nature and Dynamics of Organizational Capabilities*, Oxford University Press, New York, NY.
- Dutta, S., Zbarack, M. and Bergen, M. (2003), "Pricing process as capability: a resource-based perspective", *Strategic Management Journal*, Vol. 24 No. 7, pp. 615-30.
- Easterby-Smith, M., Lyles, M.A. and Peteraf, M.A. (2009), "Dynamic capabilities: current debates and future directions", *British Journal of Management*, Vol. 20, pp. S1-S8.
- Eisenhardt, K. and Martin, J.A. (2000), "Dynamic capabilities: what are they", *Strategic Management Journal*, Vol. 21 Nos 10/11, pp. 1105-21.
- Ethiraj, S.K., Prashant, K., Krishnan, M.S. and Singh, J.V. (2005), "Where do capabilities come from and how do they matter? A study in the software services industry", *Strategic Management Journal*, Vol. 26 No. 1, pp. 25-45.
- Fainsod, M. (1940), "Some reflections on the nature of the regulatory process", in Fredrich, C.J. and Mason, E. (Eds), *Public Policy*, Vol. 1, Harvard University Press, Cambridge, MA, pp. 297-323.
- Finkelstein, S., Harvey, C. and Lawton, T. (2007), *Breakout Strategy: Meeting the Challenge of Double-digit Growth*, McGraw-Hill, New York, NY.
- Frynas, J., Mellahi, K. and Pigman, G.A. (2006), "First mover advantages in international business and firm-specific political resources", *Strategic Management Journal*, Vol. 27 No. 4, pp. 321-45.
- Gavetti, G. (2005), "Cognition and hierarchy: rethinking the microfoundations of capabilities' development", *Organizational Science*, Vol. 16 No. 6, pp. 599-617.
- Gavetti, G. and Levinthal, D. (2000), "Looking forward and looking backward: cognitive and experiential search", *Administrative Science Quarterly*, Vol. 45 No. 1, pp. 113-37.
- Getz, K.A. (1997), "Research in corporate political action: integration and assessment", *Business and Society*, Vol. 36 No. 1, pp. 32-72.
- Ginsberg, A. (1988), "Measuring and modeling changes in strategy: theoretical foundations and empirical directions", *Strategic Management Journal*, Vol. 9 No. 6, pp. 559-75.
- Granovetter, M.S. (1973), "The strength of weak ties", *American Journal of Sociology*, Vol. 78 No. 6, pp. 1360-80.
- Helfat, C.E. and Peteraf, M. (2003), "The dynamic resource-based view: capability lifecycles", *Strategic Management Journal*, Vol. 24 No. 10, pp. 997-1010.
- Helfat, C.E. and Raubitschek, R.S. (2000), "Product sequencing: co-evolution of knowledge, capabilities and products", *Strategic Management Journal*, Vol. 21 No. 11, pp. 961-79.
- Helfat, C.S., Finkelstein, S., Mitchell, W., Peteraf, M.A., Singh, H., Teece, D. and Winter, S. (2007), *Dynamic Capabilities: Understanding Strategic Change in Organizations*, Blackwell, Malden, MA.
- Henisz, W.J. and Delios, A. (2004), "Information or influence? The benefits of experience for managing political uncertainty", *Strategic Organization*, Vol. 2 No. 4, pp. 389-421.

- Henisz, W.J. and Zelner, B.A. (2003), "The strategic organization of political risks and opportunities", *Strategic Organization*, Vol. 1 No. 4, pp. 451-60.
- Hillman, A.J. and Hitt, M.A. (1999), "Corporate political strategy formulation: a model of approach, participation and strategy decisions", *Academy of Management Review*, Vol. 24 No. 4, pp. 825-42.
- Hillman, A.J., Keim, G. and Schuler, D. (2004), "Corporate political activity: a review and research agenda", *Journal of Management*, Vol. 30 No. 6, pp. 837-57.
- Hillman, A.J., Zarkhoodi, A. and Bierman, L. (1999), "Corporate political strategies and firm performance: indications of firm-specific benefits from personal from personal service in the US Government", *Strategic Management Journal*, Vol. 20 No. 1, pp. 67-81.
- Jacobson, C.K., Lenway, S. and Ring, P.S. (1993), "The political embeddedness of private economic transactions", *Journal of Management Studies*, Vol. 30 No. 3, pp. 453-78.
- Karra, N., Phillips, N. and Tracey, P. (2008), "Building the born global firm: developing entrepreneurial capabilities for international new venture success", *Long Range Planning*, Vol. 41 No. 4, pp. 440-58.
- Keillor, B.D., Wilkinson, T.J. and Owens, D. (2005), "Threats to international operations: dealing with political risk at the firm level", *Journal of Business Research*, Vol. 58 No. 5, pp. 629-35.
- Kim, B. and Prescott, J.E. (2005), "Deregulatory forms, variations in the speed of governance adaptation, and firm performance", *Academy of Management Review*, Vol. 30 No. 2, pp. 414-25.
- Kyrou, D. (2000), *Lobbying the European Commission: The Case of Air Transport*, Ashgate, Aldershot.
- Lawton, T. (1996), "Industrial policy partners: explaining the European level firm-commission interplay for electronics", *Policy and Politics*, Vol. 24 No. 4, pp. 425-36.
- Lawton, T. (1999), "Governing the skies: conditions for the Europeanization of airline policy", *Journal of Public Policy*, Vol. 19 No. 1, pp. 91-112.
- Leone, R. (1977), "The real costs of regulation", *Harvard Business Review*, November-December, pp. 57-62.
- Lin, N., Ensel, W. and Vaughn, J. (1981), "Social resources and strength of ties: structural factors in occupational status attainment", *American Sociological Review*, Vol. 46, pp. 393-405.
- Lockett, A., Thompson, S. and Morgenstern, U. (2009), "Reflections on the development of the resource based view", *International Journal of Management Reviews*, Vol. 11 No. 1, pp. 9-28.
- Lyon, P.L. and Maxwell, J.W. (2004), "Interest group lobbying and corporate strategy", *Journal of Economics & Management Strategy*, Vol. 13 No. 4, pp. 561-97.
- McWilliams, A., van Fleet, D. and Cory, K. (2002), "Raising rivals' costs through political strategy: an extension of resource-based theory", *Journal of Management Studies*, Vol. 39 No. 5, pp. 707-23.
- Marengo, L., Dosi, G., Legrenzi, P. and Pasquali, C. (2000), "The structure of problem-solving knowledge and the structure of organizations", *Industrial and Corporate Change*, Vol. 9 No. 4, pp. 757-88.
- Miles, M.B. and Huberman, A.M. (1994), *Qualitative Data Analysis: An Expanded Sourcebook*, 2nd ed., Sage, Thousand Oaks, CA.
- Nahapiet, J. and Ghoshal, S. (1998), "Social capital, intellectual capital, and the organizational advantage", *Academy of Management Review*, Vol. 23 No. 2, pp. 242-66.

- Oliver, C. and Holzinger, I. (2008), "The effectiveness of strategic political management: a dynamic capabilities framework", *Academy of Management Review*, Vol. 33 No. 2, pp. 496-520.
- Olson, M. (1965), *The Logic of Collective Action: Public Goods and the Theory of Groups*, Harvard University Press, Cambridge, MA.
- Pandza, K. and Thorpe, R. (2009), "Creative search and strategic sense-making: missing dimensions in the concept of dynamic capabilities", *British Journal of Management*, Vol. 20 No. 1, pp. S118-31.
- Peteraf, M.A. (1993), "The cornerstones of competitive advantage: a resource-based view", *Strategic Management Journal*, Vol. 14 No. 3, pp. 179-91.
- Peteraf, M.A. and Reed, R. (2007), "Managerial discretion and internal alignment under regulatory constraints and change", *Strategic Management Journal*, Vol. 28 No. 11, pp. 1089-112.
- Podolny, J. (2001), "Networks as the pipes and prisms of the market", *American Journal of Sociology*, Vol. 107 No. 1, pp. 33-60.
- Salvato, C. (2009), "Capabilities unveiled: the role of ordinary activities in the evolution of product development processes", *Organization Science*, Vol. 20 No. 2, pp. 384-409.
- Sandler, T. and Tschirhart, S. (1980), "The economic theory of clubs: an evaluative survey", *Journal of Economic Literature*, Vol. 18 No. 4, pp. 1481-521.
- Schwenk, C.R. (1988), *The Essence of Strategic Decision Making*, Lexington Books, Lexington, MA.
- Simon, H.A. (1947), *Administrative Behavior: A Study of Decision-making Processes in Administrative Organization*, Macmillan, New York, NY.
- Sirmon, D.G., Hitt, M. and Ireland, R.D. (2007), "Managing firm resources in dynamic environments to create value: looking inside the black box", *Academy of Management Review*, Vol. 32 No. 1, pp. 273-92.
- Staniland, M. (2003), *Government Birds: Air Transport and the State in Western Europe*, Rowman & Littlefield, Lanham, MD.
- Tarry, S. (2005), "Reassessing the US aviation policy agenda in the wake of September 11", *International Journal of Public Administration*, Vol. 28 Nos 13/14, pp. 1135-50.
- Teece, D.J. (2007), "Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance", *Strategic Management Journal*, Vol. 28 No. 13, pp. 1319-50.
- Teece, D.J., Pisano, G. and Shuen, A. (1997), "Dynamic capabilities and strategic management", *Strategic Management Journal*, Vol. 18 No. 7, pp. 509-33.
- Thomas, J.B., Clark, S. and Gioia, D.A. (1993), "Strategic sensemaking and organizational performance: linkages among scanning, interpretation, action and outcomes", *Academy of Management Journal*, Vol. 36 No. 2, pp. 239-70.
- Tripsas, M. and Gavetti, G. (2000), "Capabilities, cognition, and inertia: evidence from digital imaging", *Strategic Management Journal*, Vol. 21 Nos 10/11, pp. 1147-62.
- Vining, A.R., Shapiro, D. and Borges, B. (2005), "Building the firm's political (lobbying) strategy", *Journal of Public Affairs*, Vol. 5 No. 2, pp. 150-75.
- Walsh, J.P. (1995), "Managerial and organizational cognition: notes from a trip down memory lane", *Organizational Science*, Vol. 6 No. 3, pp. 280-321.
- Yin, R.K. (1999), "Enhancing the quality of case studies in health services research", *Health Services Research*, Vol. 34 No. 5, pp. 1209-24.

- Yoffie, D. and Bergenstein, S. (1985), "Creating political advantage: the rise of the political entrepreneur", *California Management Review*, Vol. 28 No. 5, pp. 124-39.
- Zollo, M. and Winter, S. (2002), "Deliberate learning and the evolution of dynamic capabilities", *Organization Science*, Vol. 13 No. 3, pp. 339-51.

#### About the authors

Thomas Lawton is a Professor of Strategic Management at Cranfield University School of Management. Professor Thomas Lawton's research focuses on strategic political management and non-market capabilities, political risk and internationalization strategy and strategy process and practice. He has published more than 30 papers and book chapters and is the author or editor of six books. Thomas Lawton is the corresponding author and can be contacted at: [thomas.lawton@cranfield.ac.uk](mailto:thomas.lawton@cranfield.ac.uk)

Tazeeb Rajwani is a Lecturer in Strategic Management at Cranfield University School of Management. He received his PhD from Imperial College London in Strategic Management. His research interests focus on understanding the development of dynamic capabilities, the nature of corporate political activity and the strategic thinking involved in lobbying governments.

---

To purchase reprints of this article please e-mail: [reprints@emeraldinsight.com](mailto:reprints@emeraldinsight.com)  
Or visit our web site for further details: [www.emeraldinsight.com/reprints](http://www.emeraldinsight.com/reprints)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.