Telling stories about…
Business representation of giant corporations

‘A thesis submitted to the University of Manchester for the degree of Doctor of Philosophy in the Faculty of Humanities’

2010

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Word count: 78,103

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Abstract

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2010

This project explores the role narratives play in helping giant corporations to achieve their political and economic goals in democratic capitalism. Using a framework in which political science and cultural economy insights about business representation are taken into account, it claims that stories bring arenas and actors together in a public negotiation of power. While actors' interests and beliefs are in constant evolution, it is through narratives that they legitimate their demands and decisions, creating new sets of interests and structures in the process. The substantive part of this analysis looks at a set of public interactions between corporations and different groups of external actors, both in governance arenas and in the stock market. It finds that effective stories of business representation are not structured plots with a beginning, middle and end but are rather a set of arguments developed in different directions that depend on the narratives told by other actors: in a nutshell, stories provide elements that can be combined and reassembled to intersect with other narratives. The overall conclusion is that stories have become a structural feature of public spheres.

Declaration:

No proportion of the work referred to in the dissertation has been submitted in support of an application for another degree or qualification of this or any other university or other institutional of learning.

Copyright Statement

For Mathias, Gabriel and Rafael

Acknowledgments

The journey that finishes now with the submission of this work has been an adventurous one, and certainly impossible to complete without the help of many people I had by my side along the way. Some were there for particular (and sometimes rough) parts of the trip, others came along half way, but most stuck around for the whole ride. All have a place in my heart and, accordingly, should also have a place in this acknowledgment.

I start with the ones who had to endure living with me during the process: Mathias, my husband and best friend, a source of unconditional support and great help with all things high tech; Gabi, who so many times asked if mummy was stressed because of her "HD"; and Rafa, responsible for many sleepless nights and early mornings, but also for the best cuddles in the world. I could not have done it without you.

I am enormously thankful to supervisors Michael Moran, Karel Williams and Julie Froud for their guidance, encouragement and insightful remarks, as well as their endless patience with my tantrums and late night emails. But, above all, I am grateful for their friendship – I hope it continues after the supervision ends.

Another unlimited source of friendship and motivation was CRESC, my 'home' for the past four years. With Ebru and Anna I shared the ups and downs of PhD life. Niamh, Hannah, Madeleine and Simone became the living proof that there is life after a PhD and Josine has time after time shown that Dutch efficiency (and a taste for parties) is not a myth. Thanks to you all. I am also deeply grateful to Johnna for the many hours spent helping me out without getting anything in return. Count on me for babysitting duties! Special thanks also go to Bussie, Daniel, Isabelle, Dieter, Morten, Felix and Cecilia.

Last, but not least, is a heartfelt thank you to my family in Brazil, the recipients of random moaning sessions about my work: mum, dad, Romulo, Renata, Nanda and Luizinho, the next two hundred pages are what I have been up to in the past years. Thank you for being there for me.

The financial support of the Economic and Social Research Council (ESRC) is also gratefully acknowledged.

Glossary of acronyms

ABI - Association of British Insurers

ABPI Association of the British Pharmaceutical Industry

ACC American Chemistry Council

AMCHAM American Chambers of Commerce

BEUC The European Consumer's Organisation

BUAV British Union for the Abolition of Vivisection

CalPERS California Public Employment Retirement System

CEFIC European Chemical Industry Council

ChemSec The international Chemical Secretariat

CSR Corporate Social Responsibility

DEFRA – Department for Environment, Food and Rural Affairs

DG Directorate-General

EC European Commission

ECEAE European Coalition to End Animal Experiments

ECEG European Chemical Employers Group

EDS Endocrine-disrupting substances

EEA European Environment Agency

EEB European Environmental Bureau

EFAA European Partnership for Alternative Approaches to Animal Testing

EMCEF European Mine, Chemical and Energy Workers Federation

EMEA European Medicines Evaluation Agency

EP European Parliament

ETUC European Trade Union Confederation

ETUI European Trade Union Institute

EU European Union

FDA Food and Drugs Administration

FoE Friends of Earth

FSA Financial Services Authority

MEP Member of the European Parliament

NGO Non-Governmental Organisation

NHS National Health Service

NICE National Institute for Health and Clinical Excellence

PCT Primary Care Trust

QALY Quality-adjusted life years measurement

REACH Registration, Evaluation, Authorisation and Restriction of Chemicals

RRR Reserves Replacement Ratio

SEC Securities and Exchange Commission

SME Small and Medium Enterprise

TABD Transatlantic Business Dialogue

TPN Transatlantic Policy Network

UNICE Union of Industrial and Employers Confederations of Europe

Introduction: Storytelling as strategy

American pollster Frank Luntz, a former Republican Party communications guru, is credited to have penned the term ‘climate change’ to replace ‘global warming’, incorporating his less scientific words to the fierce environmental debate of the early 2000s. His company, The Word Doctors, has advised politicians, executives working for almost one third of the Fortune 100 corporations, including GM and McDonalds, as well as a diverse range of associations, from the American Chemistry Council to the Bill and Melinda Gates Foundation. In a (leaked) memorandum about environment policies, back in 2002, Luntz told George W. Bush’s team: “it can be helpful to think of environmental (and other) issues in terms of ‘story’. A compelling story, even if factually inaccurate, can be more emotionally compelling than a dry recitation of the truth”.

This thesis makes a similar proposition: it can be useful to think about business representation, particularly the representation of giant corporations, in terms of stories. This does not mean reducing business representation to narratives or assuming a deterministic link between stories and results, but uprooting and acknowledging their function. The exercise here, if I may borrow still more from Luntz, is to probe how dry facts and numbers, accurate or inaccurate, can be turned into compelling narratives able to convince a diverse and frequently sceptical audience to grant corporate actors their wishes. In a nutshell, the question asked is how stories can help firms to achieve their political and economic goals in a world increasingly wary of corporate power.

A recapitulation of the last decades shows the task has become daunting. The Harris Poll, an American index measuring the confidence in the leaders of major institutions, found in 1966, its first year, that 55% of the respondents had a ‘great deal of confidence’ in major companies; in 2010, giant firms inspired a great deal of confidence only in 15% of participants, a decline already visible in 1971, when confidence in corporate leaders dropped to 27%. During the 1980s, figures were below 21%, with the bottom reached in 1990, at 9%. In Britain, a similar trend is identified, with the damage in big business’ image reflected in opinion polls pointing at a declining trust in giant corporations and their contribution to the common good (Moran 2009).

The starting point of this research is therefore the moment when business misconduct and underperformance are uncovered and punished by lawmakers, courts, civil society groups, shareholders and media alike, with pointed questions being asked about the position of giant corporations as a privileged interest and their disproportionate power *vis-à-vis* other societal actors. Advertisement and blunt political lobbying, two traditional business representation tools kept in motion by significant financial expenditure, reach their limits when they are exposed by counter lobbies as deceitful, undemocratic and illegitimate. A more subtle involvement, thus, becomes necessary. If we go back to stories now, a first assumption may easily follow: corporate narratives attempt to convince by projecting accountability and social worth. Stories will only be helpful if they counteract negative impressions, offering an opportunity for business to convey accountability instead of self-interest. It is reasonable to assume, thus, that good stories must engage with broader concerns to fulfil their main mission and that successful firms, consequently, are the ones able to find aspects of their own goals that can be endorsed by groups external to the corporation.

An immediate problem with this is right in the second and third lines of the previous paragraph: while one can reasonably assume the existence of overlapping interests among some of the actors named there (e.g. civil society, law makers/courts and media or shareholders, law makers and media), it is less reasonable to believe they would often interact in great harmony. The diverse and frequently incompatible nature of their interests poses a real problem in the building of stories, which is how to take these different expectations on board without inevitably displeasing interlocutors. The addressing of environmental problems by an oil company, for instance, will certainly please green non-governmental organisations (NGOs) but is very likely to dishearten shareholders analysing the effects that costly new technology might have on the company's bottom line. On the other hand, if the move is constructed as a sound business case (Vogel 2006), such as Cadbury's voluntary involvement with farmers in Africa to support communities on the verge of a agricultural failure that would affect the corporation (Croft 2010), criticism is again likely, as Shell discovered in its operations in Nigeria.

Considering the difficulties of conciliating expectations leads us to another assumption: corporate narratives take into account not only the audience but the arena where the interaction happen. This is important because, while the idea of stories as a tool leading to legitimacy still holds here, the structure of the arena changes the function that stories perform since there is a difference in what is in need of legitimacy. Political struggles within and among democratic states are supposed to happen in a pluralistic environment where different interests are heard so that results are representative of society's interests. In this scenario, stories are part and parcel of the process of legitimating business particular interests and demands, depicting them as enmeshed in broader societal concerns. Economic arenas such as the money markets, on the other hand, have the opposite point of departure: actors share a main interest, which is maximising profits. Disagreements here arise because of different views on how to achieve them. Stories, in this setting, provide the link between management decisions and financial results, legitimating management decisions *vis-à-vis* alternative views. In sum, stories in political arenas intend to provide credibility to business' claims, reinforcing its legitimacy as a relevant and accountable player, while in economic arenas they help to legitimate management decisions as competent and accountable. Trying to perform both jobs with the same story would generally not work, opening a chink for the challenging of narratives and, ultimately, of players.

A third proposition follows from this last point: a breakdown of stories can lead to crisis and impair the construction of new narratives. If stories are intrinsically linked to credibility and accountability, anything that exposes them as inaccurate or deceiving is very likely to start a crisis. Accordingly, building stories once a corporation is under attack is more difficult than in non-crisis moments: firstly, actors are less willing to give the corporation the benefit of the doubt because trust, previously reinforced by stories, is breached; secondly, a crisis exposes the improper behaviour of a firm as well as the function of stories as a tool of persuasion, making the 'dry recitation of the truth' preferable to 'emotionally compelling' narratives. As a consequence, stories put together under fire are more likely to allow larger concessions to other actors' interests, in detriment of the corporation's own. Once the crisis is over, firms may be able to restart the process of story building on their own terms, incorporating the external challenge and corporate responses to the narrative in a bid to restore credibility.

As the ideas developed so far suggest, building stories is a complex exercise. This complexity is in fact central to explanations about why communications executives like Frank Luntz have been particularly valued and handsomely paid in the past decade. The amount of effort and money spent by corporations, however, has little relationship to results. Whilst some giant firms (and sectors) have competently used stories to achieve credibility, other very wealthy corporations have been visibly less successful, a sign that, at least regarding storytelling, economic might does not predetermine outcomes. Part of the complexity of building stories perhaps stems from its incongruity with established institutional trouble-shooting mechanisms in which "a technocratic appraisal to find a simple technical solution is the general rule", as David Croft, head of Sustainable Sourcing at Cadbury's, put it (2010). Moreover, there is a sudden need to cooperate with a variety of actors that were virtually off giant firms' radars until recently, with part of the problem being not the building of the narrative *per se* but its interface with other actors' narratives. There is, thus, a significant shift from messages tailored to particular types of consumers whose responses are primarily measured through focus groups and sales volumes, as in marketing and advertisement. On the other hand, traditional lobbying attempts to hard sell the firm's view on a subject to particular actors, an activity usually accompanied by generous 'donations', might result in the support of key decision makers and desirable results but still will not shield corporations, and their stories, from exposure by competing actors and narratives.

With this unevenness of results in mind, a central precondition for understanding how stories can help giant firms to achieve their goals has to be to explore why some stories have managed to avoid sharp criticism while others have not. Therefore, probing the reasons behind different outcomes is at the core of the empirical work conducted here. It is only by comparing and contrasting business stories that have enjoyed different degrees of success that one can better understand and explain the dynamics at play. The words 'different degrees' are used here deliberately. The acknowledgment of a significant grey area between winning and losing is important because, more often than not, a sweeping victory is not essential for business purposes. Stories can have a noteworthy role even when they fail to completely counter rival narratives since their use is fundamentally instrumental. Selecting cases with stories that display different levels of effectiveness, thus, allows for the recognition of desirable and undesirable traits of stories as well as their interaction with other traditional tools of business representation.

Episodes under scrutiny should also involve industries that have struggled with the management of their stories and the new arrivals that are credited to be partially responsible for the changes in their business environment, namely the representatives of the so-called civil society and investors. Their different interests and individual narratives are considered here to be at the same time part of the problem and of the solution: while their clashing concerns and stories challenge business interests and force firms to respond, they are also the material business has to relate to in order to build its own improved narratives. Examining cases where dissimilar actors interact is fundamental to shed light on how stories influence each other and whether proficiency at addressing broader concerns is in fact at the core of a successful corporate story, as the first proposition suggests.

Considering the different actors named above automatically brings different institutional arenas to the empirical test. Civil society, represented by environmental, consumers, animal welfare, patient groups etc., operates in a variety of spheres at national, transnational and global levels, from traditional political spaces to the European lawmaking system and hybrid quasi-governmental bodies. Investors, on the other hand, are usually confined to the world of equity markets, even though associated activities such as financial regulation and policy making embody other actors and more political issues. Taking arenas into account, on the other hand, allows us to examine the relationship between actors and structures and the role of the latter in empowering or disempowering particular groups. This is important for the analysis of narratives and their effectiveness because it highlights not only the desirable features of stories and their limits in relation to other actors and their narratives but also in relation to where they are told, which is in turn directly linked to the second assumption of this thesis that stories perform different functions in different settings.

Also somewhat related to ‘where’ stories are told is the role of the media, as discursive interactions have increasingly taken place in the public eye, channelled via news outlets in the real and virtual worlds. Since the early 1990s, two different trends seems to have developed: on the one hand, mainstream media have increasingly opened its pages to news involving non-conventional sources such as NGOs and other interest groups; on the other hand, a growing business media, fuelled by regulators’ disclosure requirements and massive corporate advertisement, has created a more hospitable environment to economic interests. Stories, however, are not self-contained but migrate within sections and across media types, bringing a high level of contingency to the involvement of the media both as an arena and an actor.

Consequently, stories are bound to be received and interpreted in different ways depending on which type of media is leading the coverage, at the same time that the media stories themselves will influence key audiences. The inclusion of empirical cases displaying different exposures to media attention is thus an important thermometer for measuring which kind of stories can be told under this type of surveillance and how they are changed, helped or hindered by them. The analysis of the media is particularly pertinent in relation to the third proposition about story breakdowns and attempts of reconstruction, given that crises are usually highly mediated events.

The focus on mass communication here, however, is not informed by any theoretical preoccupation with the power of the media as such. The importance of the media in this work, which is in its core an inquiry about public narratives, is its simultaneous role as a key source of information about the development of a public dispute and a key indicator of how stories are being responded to. While some reflexion about the use of the media as a separate arena or their co-authorship (and therefore active participation) of stories may be inevitable, the theoretical ambition of this thesis lies elsewhere, more precisely on a attempt to bring together contemporary scholarship on business representation produced in political science and in more cultural niches of political economy and add to their findings, since there is more common ground between these two lines of research than might be apparent at first sight.

Both approaches are concerned with the relationships between actors and structures and seek to understand how structural changes of capitalism in the past three decades have affected business power, as well as its responses to this fast moving environment. A common conclusion is that new actors and arenas have created a need to respond publicly and in a bespoke way to direct challenges, a task that is better performed by the corporation itself rather than through collective action. The main divergence relates to the extent that corporate agency has been negatively affected by the changes, with conclusions varying substantially. These sometimes contradictory diagnoses are partially linked to ontological beliefs about the nature of power but also reveal an analytical process that tends to lose sight of agency when structures are on focus and vice-versa. This, in turn, means that the arrival of new actors may be overlooked as sources of threat for business influence when compared with structural biases understood to favour business in parts of the political science literature. In contrast, cultural approaches recognise the arrival of actors as shifting the balance inside structures but tend to consider just a few actors in the analysis, partially because of their obvious ‘power’ to change events when consciously exercising their agency.

The proposition made here is that the measurement of power as a finite, zero sum property, implying that the gain of power by other actors necessarily implies the loss of power by business or the other way around, may not be the best way of looking at the problem. While structures, populated by particular combinations of actors, beliefs and interests, surely display biases in favour of certain participants, power is not ‘trapped’ within them. The nature of power is more fluid and malleable than is being considered precisely because actors, beliefs and interests are also in constant motion. The starting point of this thesis is exactly the evolving and dialectic relationship between structures and actors in the past 30 years that has thrown business in uncharted waters of public contestation. Coordinating alliance formation in new governance arenas or telling stories about past achievements and future performance to shareholders, two of the main business practices highlighted by these literatures, are essentially cultural and cooperation-dependent activities that are at odds with straightforward and self-reproducing victories determined by structures.

Stories, I propose, are one of the threads that can bring these fragmented pictures of business representation together because they are a tool with which corporations are able to justify their interests and decisions in relation to other actors’ interests and decisions in political and economic settings. By making reference to what French sociologists Boltanski and Thévenot (1999) called ‘principles of equivalence’, something that is mutually understood by all actors and, as a consequence, measurable and comparable, corporate stories convey the social, political and economic accountability lost in lobbying and advertisement. Stories are a conscious effort to reach outside the firm and build a common ground of overlapping issues and consensus. As a consequence, corporate demands, and indirectly its power, become legitimate as a result of a bargaining process rather than a top down flexing of corporate muscles. This discursive struggle can indeed be helped or hindered by structures but is not determined by them, hence the variability of results. The use of stories as a common currency through which actors can trade, publicly confronting and negotiating the paradox between capitalism and democracy that is made visible by the operation of multinational corporations, is therefore the preliminary answer to the question of how stories can help business to achieve its goals. The main task is then to define what makes the stories to be perceived as strong or weak.

Contents

The thesis is organised in seven chapters, with the first part tackling the historical and theoretical aspects of business representation and a second part dedicated to the each of the case studies, followed by a discussion chapter.

The first chapter revisits the structural changes of capitalism in the past 30 years, identifying the new challenges for the political representation of giant firms and the way corporations have reacted to them according to a dominant view of business and its power within political science. The main thread running through this chapter is that the changes in the institutional environment which resulted in a shift to individual representation of giant corporations has been maintained even after policy making practices started to reward more encompassing processes legitimating the input of new (e.g. NGOs) and old (e.g. business confederations, trade unions) actors. In a nutshell, chapter one is a portrait of how business practices and influence started to be challenged and business' main responses to criticism.

Chapter two considers how the changes have impacted business as a key economic actor using the analytical lenses of scholars operating under the broad intellectual umbrella of cultural economy. Fast forwarding to the 1990s, the height of a so-called financialisation process, these accounts expose the cultural aspects of capitalism and of financial markets interactions. The argument is that cultural practices have become central to giant firm strategy, with corporate storytelling turning into a way of managing the expectations of the City, whose 'circuit' includes analysts, journalists and institutional investors. The latter, a relatively new arrival in the arena, is in fact the main audience of this process because their decisions can impact management's legitimacy and the firm's capitalisation.

A link between the two sets of literature reviewing the changes in the political and economic representation of giant firms, and the proposed empirical cases, is provided by chapter III. Its main focus is to reconcile these two quite distinct approaches by proposing a framework in which the new actors identified by both literatures, as well as corporate strategies centred on managing narratives, play an important role in business representation. The argument is that, when power ceases to be seen as a static and finite good and structures are considered capable of both constraining and enabling agency, narratives have a clear role in helping firms to achieve their goals at the same time that they enhance the legitimacy of individual players, their sectors and even the policy making arena itself. This chapter also makes clear the ontological and epistemological assumptions of this work and explains the reasoning behind the choice of case studies.

Chapter IV, the first empirical case, analyses the building of the European chemical legislation. It is by far the most complex story, bringing together most of the changes alluded in the previous chapters. Firstly, it is staged in a very relevant new arena, the European Commission, in a substantial measure the creation of the capitalist changes of the past decades. Secondly, the arena is structurally and even geographically positioned in a way that giant corporations are privileged *vis-à-vis* other societal actors, given the costs of operating outside national settings and the complexity and scope of the issues in the agenda. Thirdly, as a consequence of this perceived gap of representation, it is a sphere in which actors other than business are encouraged to contribute and build consensus. The story of REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) bring interesting insights about the importance of sharing ideas, the combination of old and new strategies at national and supranational levels, as well as the perils of relying on established advantages in a fast moving world.

Chapter V displays a very different combination of actors and arenas compared to REACH: the approval of Herceptin, a cancer drug manufactured by Swiss giant Roche, was a British and highly mediated scandal pitching patient groups against the quasi-governmental technical body NICE (National Institute for Health and Clinical Excellence) and primary trusts across the country. There is a clear combination of old and new actors, with national government and its technocrats, NICE and patient groups, and a different dynamic at work, with much stronger media attention. The quick approval of Herceptin is linked to the framing of the problem not as a fight for the drug itself but as an example of a system of drug approval that is unequal and inefficient, leading to the penalisation of patients and the perpetuation of postcode lottery.

The last empirical investigation involves the oil giant Shell and the downgrade of its oil reserves that would lead to the worst public relations crisis in the history of the corporation. The arena is the stock market and a new group of actors, institutional investors, plays an important role in the episode. Media presence is as intense as in Herceptin but, in this case, detrimental to the firm: under public pressure, Shell's inability to provide a convincing story about the reserves not only paved the way for a rival narrative to prevail but also gave ammunition to some of their underlying assumptions. The episode, however, is a valuable snapshot of the difficulties of building and managing stories whilst under attack and reveals the existence of a much larger range of actors and interests operating in what is commonly seen as 'mono-interests' arena of money markets.

Chapter VII compares and contrasts the cases, with a strong focus on the stories told in each of them, to answer the question of why some narratives helped actors to reach their goals and others didn't. The analysis examines not only the ingredients that make these stories valuable as 'stand-alone' narratives but also their relationship with other stories and the arenas in which the dispute is taking place, the intersections between actors and structures that have been discussed throughout the theoretical and empirical chapters. Its final ambition is to make a case for stories as a missing piece in the current analyses of business representation and power because they shed light not only on how particular disputes are won or lost but also on how the broader narratives that inform institutional arenas and, ultimately capitalism, are to some extent a result of smaller scale negotiations among stories seeking legitimacy.

A short conclusion summarises the work done in the thesis, discusses the limits of stories as an analytical tool and bring to the fore the possible avenues for research that these findings open.

Chapter I: Business representation in a post-Keynesian capitalism

Introduction

The historical starting point of this thesis is the changing political environment confronting giant corporations as a result of a capitalist restructuring set in motion after the break down of the Bretton Woods agreement in the early 1970s. A necessary first step, therefore, is to chart these structural changes and the reactions they have triggered from different actors. Given the purpose, the main focus here is not on how processes such as capital liberalisation and regionalisation have affected states and their sovereignty[1] but how they have impacted multinational corporations, their representation and power. This, in turn, means that a sample of the most influential and/or recent contributions that scrutinise the power of business as a key political actor is at the centre of the chapter.

The direct effects of this selection are in themselves worth pointing out from the start: one is the admission that a specific way of examining business, its representation and power in contemporary capitalism will be referred to as the 'political science' view henceforth in this thesis; the other is that this particular skew is a finding in itself, a pillar upon which a framework for a different understanding of business power and representation can be built. As it will be discussed in chapter III, while different ontological and epistemological approaches within political science have indeed taken into account ideas, culture and norms to examine how interests and power are constructed discursively, the emphasis has been primarily on the processes of constructing the normative narratives that establish the parameters for what is politically and economically possible – in effect the broader frameworks in which actors and institutions are embedded and refer to in their own narratives (Lukes 1974; Hajer 1993; Schmidt 2000 ; Rosamond 2002; Rosamond and Hay 2002; Watson and Hay 2002; Smismans 2006).

On the other hand, while the role of business as active actors in these interactions is recognised, particularly in Gramscian and Marxist scholarship (Cox

[1] This is an undoubtedly related issue addressed by a significant part of the political science literature. For a selection of different approaches in various sub-fields see: (Ohmae 1990; Underhill 1991; Overbeek 1993; Helleiner 1994; Kapstein 1994; Cable 1995; Helleiner 1995; Panitch 1996; Strange 1996; Watson 1999; Cammack 2003)

1983; Sklair 2000; Von Apeldorn 2000; Carroll and Carson 2003), attempts to develop theoretical frameworks that bring out the contribution of discourses to business power are still few (Risse 2000; Arts 2003; Fuchs 2005), with empirical work mostly confined to particular areas of governance such as the environment (Levy and Newell 2002; Levy and Newell 2005; Kantz 2007). At the same time, systematic probing of how discourses can be strategically used by business to achieve narrower outcomes remains virtually non-existent, which is even more puzzling given their acknowledged importance when the power of NGOs and civil society is the object of analysis (McAdam, D. et al. 1996; Holzscheiter 2005; Scharper 2007). In short, the so-called cultural turn has clearly reached political science, gathering pace since the turn of the millennium, but the understanding of business power and business representation within the field is still dominated by the particular optic reviewed in this chapter.

This literature identifies two major structural changes that happened in the last three decades as key events because of their effect on giant corporations and their capability to represent their interests: the first, rooted in the economic slowdown of the 1970s, is the drastic policy change in Britain that would create a regulatory state built on top of privatisations and welfare retrenchment; the second, starting in the end of the 1980s, is the fast process of regionalisation in Europe and the creation of a supranational governance platform with growing powers. Each of these required strategic adaptations to allow corporations to deal with different levels of governance and new interlocutors, as governments were joined by regulators, supranational institutions, institutional investors and organised civil society.

The chapter will be divided into two sections that match these changes. Section one will look at the weakening of traditional forms of business organisation in Britain and the turn to individual representation, a shift in business strategy noticeable from the mid-1970s. In this first stage of individual political representation, problems related to the slowing down of the productive sector, general tightening of competition and growing regulation started to be tackled via direct attempts to influence policy/actors at national level, and performed increasingly through professional public relations and government affairs departments instead of the elite networks of the past.

Section two focuses on the mid-1980s onwards, when a general mistrust about giant firms from the part of civil society and the increasing importance of supranational governance arenas such as the European Union started to highlight the legitimacy deficit of the DIY approach. At this point, the need to acquire credibility in the product market had been firmly joined by the need to build political legitimacy in order to represent business interests at both national and supranational arenas, forcing corporations to look for a new mix of tactics to influence policy making. Having established how giant firm strategies of political representation have evolved in the past 30 years, a brief discussion about how these accounts influence our understanding about business power will take place, followed by a conclusion.

1. The British system of business power: mid -1970s as the turning point

The second half of the 1970s brought significant changes to the global political economy with the slowing down of the long boom established in the developed capitalist world since the end of the World War II. In Britain, a wave of economic failure exposed the fragility of the economic performance and the election of Margaret Thatcher as the leader of the Conservative Party was a clear response to a sense of instability in British politics, aggravated by high rates of inflation. As prime minister between 1979 and 1990, Thatcher set in motion a series of reforms that would drastically change the business environment. If capitalist solidarity has never been an easy task, in Britain or anywhere else, the deep changes in government policy aggravated the problems of collective action and propelled firms to deal with governments, regulators, society and competitors as individual actors.

It did so by irremediably damaging structural and ideological advantages that used to compensate for the weakness of business class mobilisation (Grant 1984; Moran 2006). To understand how this particular system of business power was undone, however, it is necessary to quickly address how it was put together. In this specific case, the story is about a successful marriage of convenience: having spent most of modern history indifferent, if not hostile, to one another, the two protagonists – the City of London and the British industrial elite – were brought together by a threatening circumstance, the recession of the early 1920s and, from this time on, built a symbiotic relationship that would last more than half a century.

The importance of the City of London for the British economy has been widely acknowledged and described (Longstreth 1979; Ingham 1984; Kynaston 1994; Kynaston 1996; Kynaston 1999; Kynaston 2001). Its role in convincing the public opinion and political arena of the central importance of a world order based on free trade and the gold standard in which the City was the focus of economic power and prestige dates back to Pax Britannica. The British capacity to manage power in the fragmented Europe of the 17th Century and keep its role as a hegemonic force depended on the gaining of a widespread acceptance of the norms of liberal economics as common goods administrated and regulated by the City (Cox 1983), as well as on the combination of manufacturing capitalism and sea power. Together with merchant banks, which by 1870 were the second source of British foreign income after shipping profits, the City was of great importance for the British economy as a whole and its influence reached out to the political sphere, with its connections with government and state administration (Scott 2003), particularly the Bank of England and the Treasury.

The British industrial sector, in contrast with the outward looking finance system, was comprised of a large number of small, family-owned businesses with mainly local or regional interests from the industrial revolution to the end of the 19th century. A series of mergers and acquisitions in the mid-1890s would start to alter this scenario, concentrating the economy in a few large corporations, but the changes in size and scale did not immediately affect the nature of the relationship with finance and government actors. Industrial relations of the City and the state with these firms were minimal at that time: the former did not take a significant part in the new forms of corporate-finance that allowed the large scale amalgam while the latter stressed firm autonomy and favoured self-regulation when possible or consensual/cooperative regulation when strictly necessary (Hunt 1936; Carson 1970; Gamble and Kelly 2001).

The end of the Great War was a turning point for business, with the collapse of the economy in the early 1920s forcing banks to become directly involved in the ownership and financing of industry as a direct response to the official government policy of reconstruction and rationalisation. The interlocking became even stronger during the depression and even though financial agents sought to return to pre-war distance after the economic recovery of the late 1930s, the connections remained. The aftermath of the war also transformed radically the role of the Bank of England, which became an ‘intermediate’ between the City and central government, particularly the Treasury (Moran 2009, p.25). By 1938, the British economy was dominated by corporate elite of directors with their primary base or most significant interests in the

City of London. By World War II, “the inter-corporate network had become truly national in scope and, though organised around the City financials, it incorporated both financial and non-financial enterprises” (Scott 1997, p.119).

During the long boom initiated after WWII, interlocked networks in Britain expanded further and became denser. A time-series data compiled by Useem (1984) on 85 large manufacturing and financial companies in the UK from 1906 to 1970 shows that, at the start of the period, fewer than half of the firms shared directorships while, by the end, more than four-fifths did. He also found that links between large manufacturing firms and banks increased nearly seven-fold in the period. But networking was based not only on economic interchange between companies but also on the exchange of information related to the broader business and political environments, which created channels of communication that led to class mobilisation. “The inclusive and diffusely structured economic and social foundations have created a special form of social organisation within the business communities of both America and Britain, an inner circle whose unique qualities equip corporate leaders to enter politics on behalf of consensually arrived at class wide interests rather than narrow, individual corporate interests” (Ibidem, p.58) . Maintenance and reinforcement of this inner circle happened mainly through social mechanisms like club membership, same school attendance and kinship ties, bringing finance, government and industrial elites to the same boat.

But at the same time that links between industrial, financial and governmental elites were strengthened, the collective representation of business envisaged by the Federation of British Industries (FBI) never quite happened (Davenport-Hines 1984). Created in 1916, the FBI encountered the expected and already considerably severe problems linked to the coordination of diverse interests, as well as institutional rivalry with employers associations (Wigham 1973) and the culture of individualism mentioned above.

In sum, from the 1920s depression to the end of the long economic boom in the 1970s business representation was exercised through networks of interconnected political, financial and industrial elites in Britain. This, however, was about to be altered by the changes in capitalism itself, palpable from the late 1970s. We turn to these next.

1.2 Deconstructing networks and ideologies

The implicit recognition of the autonomy of the individual firm and its right to a minimum of interference from external actors, as well as the interlocked nature of the British power system, both hindered and substituted the need for collective representation for half a century in Britain. These two characteristics, however, were directly damaged by the financial deregulation and globalisation/regionalisation processes that gained momentum from 1970s onwards (Moran 2006). Margaret Thatcher's reforms and privatisation, despite their business-friendly nature, created paradoxical results (Gamble 1994): after a brief governmental retreat, as the ownership of key industries ceased to exist, state duties as regulator have swiftly increased in importance, as privatised public utilities had to be supervised by specially created bodies and environmental regulation has grown in importance (Grant 1993, p.46). This increasing regulatory role is accompanied by also increasing legislation, with a trebling in numbers recorded between the 1960s and 1990s (Harris 2002). A similar trend took place in America where, from the late 1960s to the late 1980s, the Congress imposed more restrictions on corporate conduct than in the entire history of the United States (Vogel 1987).

The internationalisation of ownership, on the other hand, started to undermine the interlocked directorships and the social cohesion of the inner circle. With the diffusion of the national structures, family owned firms central to the old system were slowly replaced by financial conglomerates, many of them foreign owned and with world-wide operations. In some activities like office machinery, computer manufacturing and motoring, foreign owned enterprises accounted for 56% of employment by the mid-1990s (Hirst and Thompson 2000, p.343). For many of the inner circle participants, the mid-1970s was the time the decline of their social network was first felt. "There was also a realisation that the club-land establishment of the 1950s no longer existed: as one respondent commented, "twenty years ago all that a major chairman needed to do was to meet the Chancellor at his club, have a word in his ear and say 'this isn't on'" (Grant 1984, p.5).

At once, business was not only facing a massive and unprecedented interference in its affairs via legislation/regulation but had also lost a discrete and effective way of managing it. For most firms, particularly large enterprises, the answer was the formation of government affairs and/or public relations divisions to deal, individually, with state actors: in other words, a replacement of informal ties of the inner circle with formal political contacts (Grant 1984). This first moment was what Coen and Willman (1998)called an “ad hoc approach”, characterised by a “high level of regulatory mistrust” and aiming mostly at stopping or amending the increasing amount of regulation issued by governments. This would soon change as firms started to realised that a “regulatory relationship could be established with the regulator and that those positions could be negotiated and exchanged for goodwill”(Ibidem, p.34). More than to respond effectively to regulators, corporations started to attempt to influence the debate before it amounted to any legal requirement.

Unsurprisingly, sectors with closer ties with governments, highly exposed to regulation or dependent on their custom, were quicker in establishing formal channels. A survey of the 100 largest British corporations in terms of total sales revealed that 42% of these companies established government relations divisions from the mid-1970s, with firms in the extractive sector (i.e. oil companies) as the most likely to have them: six out of the seven corporations in the study had an active government affairs department (Mitchell 1990). In the US, a survey with 163 firms of the Fortune 500 in 1980 showed that 80% had a formal, recognised government-relations function (Baysinger and Woodman 1982) and, out of a list of 17 high-tech firms with a Washington office in 1980, eleven had important defence contracts, appearing on the Defence Department’s list of the top 100 contractors (Hart 2001). The retail sector, on the other hand, was not nearly as involved with direct representation at the political level, since it was generally not the target of heavy government regulation.

Timing was also crucial for success. Large firms that tried to hang on to the old system of influence, like IBM in America, paid a dire price. Deeply dependent on government policy and purchases, the blue chip company insisted in keeping the “IBM doesn’t lobby” mantra of its founder until the 1970s and was caught completely off guard by the Department of Justice antirust suit that would turn into a decade long battle – a war collectively supported by IBM’s competitors behind the scenes in Washington (Hart 2007). As soon as the Watson family left the control of the big blue, in 1971, the company set up a Washington office, but it would take another five years until a significant presence in the American capital was established via a Governmental Programs Office whose tasks were learning the substance of every policy debate affecting the multinational, coordinating and developing the company’s position on it and following the process through. By the end of the 1980s, IBM had nearly 100 staff working for its government affairs' office in the US, with a further hundred employed in its foreign subsidiaries.

The reaction against excessive regulation at national level has also led to another important development: instead of struggling locally, some giant companies entered the supranational lobbying scenario by exerting influence on the European Economic Community even before the Single European Act (SEA) in 1987. While the majority of business still favoured to influence national governments and federations because of the structure of European decision making and the policy areas covered (Mazey and Richardson 1993), the very co-existence of European and national systems was used by a few giant corporations to resist national corporatism (Streeck and Schmitter 1991) and, at the same time, play the two political markets against each other, taking advantage of the lack of regulatory controls of the EU.

From the late 1970s to the early 1980s, firms raised the agenda of deregulation at national level and the building of a single market in Europe – the creation of the European Round Table of Industrialists, in 1983, was a visible sign of this strategy, considered broadly successful (Cowles 1995; Von Apeldorn 2000). This niche, however, would not remain unchallenged for too long: after the Single European Act, and subsequent crowding up of the business lobbying world in Brussels, European officials moved to close the gap by compelling individual firms to establish broader coalitions. These events marked the beginning of a second phase of business political representation in which having legitimacy to play the policy-making game, or at least appearing to have it, has become *sine qua non*. The second part of the chapter reviews these changes and business' responses to them.

2. Lobbying overload and the search for legitimacy

With the decline of the inner circle and turn to DIY representation, collective action also dwindled: with trade union power dismantled, bargaining was shifted away from the industry, knocking down employers associations during the 1980s (Millward, Stevens et al. 1992). A sign of the weak nature of the political representation was the delicate situation of the Confederation of British Industry, which spent most of the 1970s in war with Labour (Grant and Marsh 1975), but also most of the 1980s in collision with Margaret Thatcher's handling of the economy: even though the CBI was happy to see union power diminished and public expenditure brought under strict control, policies towards the appreciation of exchange rates, for instance, were controversial. Other alternatives did little to revive the faith on collective bodies: while the Institute of the Directors had better fortune, enjoying the support of the prime minister for being ideologically acceptable, particularly during the 1990s, it was always seen as the representative of 'capital' rather than of the productive sector; the chambers of commerce, on the other hand, suffered from a lack of public law status and obligatory membership (Grant 1993).

Membership in national interest business associations in the early 1980s was seen as desirable for three reasons: it provided a voice in the national questions that required an industry view; presence in consultative bodies of a technical nature in Whitehall; and representation at European level (Grant 1984). After the Single European Act of 1987, only the first reason remained pressing, marking what Coen (1997) called a watershed for European businesses and the nature of lobbying. The move towards a single internal market and legal framework for business, standardization of technical requirements, harmonization of taxes and free movement for labour added to the increasing regulatory competency of the European Commission in environmental policy, R&D, merger regulation and industrial policy. This, in turn, transformed Brussels into a main target not only for large firms but also non-EC groups and governments like Japan and the US. Overloaded with the new functions and a 'adolescent bureaucracy' dependent on technical, legislative and organizational information from outside, the Commission largely welcomed private interests actors (Mazey and Richardson 1993, p.10).

The immediate result of the changes was a soaring number of businesses migrating directly or indirectly to the European policy making level, aiming particularly at the Commission and the European Parliament. The latter became more powerful in the second half of the 1980s, when the SEA granted it the right to a second reading of Community legislation. The European Court of Justice also turned into a growing target for lobbyists from the early 1990s. Between 1987 and 1997, more than 350 firms established direct lobbying facilities in Brussels, joining forces with 3000 public interest and 1600 pressure groups (Coen and Grant 2001). With a much higher demand for monitoring, counselling and lobbying services, consultancy services started to thrive as well: a large number of European consultancies were founded between 1986 and 1994. Political consultancies and law firms experienced a growth of more then five times between 1986 and 1995 in comparison with the previous decade, a reflection of the need to "speak" the correct legal and administrative language (Lahusen 2002, p.699-700). The access for business, in this phase, was intrinsically linked with the provision of expert knowledge to the development of effective EU legislation, as governments alone were not able to provide the information needed (Bowen 1997; Pappi and Henning 1999).

It would not take long until the Commission started to face a double problem: on one side, the overcrowding of the lobbying world was becoming more a hindrance than a facilitator; on the other, the sensitive issue of democratic deficit and accountability surrounding the supranational governance structure had to be addressed if it were to keep its own legitimacy (Goehring 2002). The debate around these issues intensified in the last years of the 1990s, with a White Paper on governance explicitly invoking the links between legitimacy and civil society participation (including employers' associations and trade unions) released in 2001 (COM (2001) 428). In a move to kill two birds with one stone, the Commission began to restrict access to the policy process through new policy committees and industrial forums.

A the same time, its ties with civil society organisations were strengthened with the creation of a Civil Dialogue, a initiative analysed by Smismans as "a normative discourse on the role of these organisations", and the sponsoring of networks like the Social Policy Forum, a permanent framework for cooperation and integration of NGOs with European institutions (2006, p.476). This would be extended to other policy making areas such as Trade, developed into different *ad hoc* structures and reach implementation policies by the turn of the millennium (Ibidem). In 2000, a discussion paper about the relationship between the Commission and NGOs and the best framework for funding and consultation was released, aiming at the unification of the framework for cooperation that was by then mainly organised on a sector by sector basis. At that point, over a € 1.000 million a year was being allocated to NGO projects directly by the Commission (COM(2000) 11 final)

The changes, however, did not mean the exclusion of individual business enterprises from the process. The interdependency situation that started the relationship between the EU and business still existed and EU institutions continued to demand crucial resources to its own functioning that were better provided by private actors. However, the 'access goods' of expert knowledge had been joined by two other kinds of information: information about the European Encompassing Interest (IEEI) and about the Domestic Encompassing Interest (IDEI) (Bouwen 2002, p.369). The former relates to the needs and interests of sectors operating in the European Union, requiring coordination at European level and rekindling the role of European Federations; the latter requires information of sectors in the domestic market, revitalising the role of national associations. This way, the EC could claim both in-put and out-put legitimacy: information about encompassing and representative data involving different levels of participation of citizens and interest groups increased the Commission in-put legitimacy, while expert knowledge received from large firms, allowing the European authority to deal efficiently with problems, improved its output legitimacy (Ibidem, p.371).

In a clever move, the European Commission permitted that even issues that could be considered as high politics, such as nuclear deterrence, energy policy or environment, to be dismantled in more manageable and bargaining pieces subjected to group influence (Mazey and Richardson 1993). A good example concerns the EC environment policy, an area of widespread public interest. To achieve its objectives, the EC broke down the issues of "high political salience into more technical issues around which is possible to construct a more cohesive policy community" (Ibidem, p.18-19). Within DG XI, an *ad hoc* consultative group on CFCs was established comprising actors with a direct interest on it – representatives from chemicals industry and refrigerator, foam-rubber, plastics, aerosol manufactures and users. While this group resembled more the 'policy community' model of national policy-making, other matters are structured around the 'issue network' model, which is widely used in the field of social policy.

As a consequence, the rapid growth of collective forums allowing the direct participation of firms brought about by this new phase in EU policy-making had a direct impact on the organisational forms of lobbying activities for giant corporations. While the shift has not meant a retreat from direct lobbying through a Brussels office or third-part representation via consultancies, as the demand for expert knowledge and individual's business opinion was still high, many of the access routes were now linked to the firm's ability to establish an "European identity through pan-European alliances with rival firms and/or solidaristic links with societal interests" (Coen 1998, p.78). Successful European lobbying, from the mid-1990s onwards, had less to do with monitoring and defensive action and more with having organisational capacity to form political alliances and to create/reinforce collective representation via traditional political channels, which meant a need to coordinate a multilevel lobbying strategy involving national and supranational actors. As the firm's ability to influence policy has been definitely linked to a positive image as a provider of reliable encompassing information, the 'do it yourself' approach alone was not an option anymore.

These developments are described here because the increasing importance of the European Union as a policy making arena and the shift in its dealings with external stakeholders from the 1990s onwards have influenced the strategies of representation chosen by corporations. As these are particularly relevant to this work, the next section will highlight the most important changes.

2.1 Multilevel game and the return of collective action

A mix of strategies was developed for the creation of pan-European links from the 1990s but their efficacy is understood to be linked to the previous move towards the individualisation of business representation (Coen 1998). Even though having a government affairs office is not a crucial pre-requisite to succeed in the new environment, firms that have established these departments[2] have proved more efficient in identifying suitable lobbying partners and opening political channels. "The establishment of government affairs provided the potential for political economies of scale[3], the creation of political 'alliances of convenience' and the development of new functions for existing political channels" (Ibidem, p.80). Government affairs divisions were also important for the strategic decision of which areas to prioritise according to Coen and Willman. They cite the example of British Petroleum who, despite being an important producer of Ethanol, did not lobby for a policy favouring the sector because, with a new programme in the traditional extraction sector being launched, the firm believed that lobbying for fossil fuels was more important. Siemens has also repeatedly opted to monitor and influence EU policy issues in the electrical and high tech sectors, leaving the environmental directives impacting its furniture division aside (Ibidem, p.83).

[2] Mitchell, in his study about the British business representation, has found a strong correlation between the establishment of government relations divisions and the use of direct government contact in a way that "the politically active firms establish these divisions and the divisions increase their activity". They also tend to make more use of trade associations contacts. See (Mitchell 1990)
[3] After the fixed costs of setting their government programmes office up, IBM could reap economies of scope across issue areas. The unit proved particularly useful in the identification and pursuing of opportunities, with the convergence of computing and communications, the core of the warfare with AT&T in the US, being the major one. See (Hart 2007)

The most popular strategy to guarantee access is the formation of ‘alliances of convenience’(Coen 1997) or *ad hoc* coalitions. Vertical alliances with small and medium business, which can and usually do incorporate consumers and public interests groups, help giant firms to establish political legitimacy with the EU institutions and reinforce their role as mediators; *ad hoc* alliances formed around particular issues bring together groups traditionally in opposite sides. Here again, the idea is to build legitimacy by taking on board broader interests that the ones of business alone. Some of the *ad hoc* alliances, however, are more litigious and trade oriented in nature: the recent clash between South-European based auto industries Peugeot, Renault and Fiat and the German car makers over carbon emission regulation in the EU is a pertinent example (Reuters, 21st of November 2007). Another case is the alliance created by Bull, Unisys, Amstrad, Olivetti, ICL and NRC against IBM and Phillips around the issue of software copyright, which evolved into other issues (Pijnenburg 1998).

Ad hoc alliances have also turned into issue-specific business clubs: multinational companies operating in high-tech areas such as superhighways and telecommunications were particularly good at creating those clubs in the late 1980s, early 1990s (Sandholtz 1992), while some loose cross-border alliances turned into quasi-formal industrial forums. The latter included many of the original European Round Table committee members and the EU Committee of the American Chambers of Commerce (Amcham), which has become an efficient transmission belt for the interests of large American firms (Cowles 1996). While the original function of these groups was to provide the European Commission with quick and reliable (technical) information, some were gradually allowed to join ‘high politics’ horizontal forums about enlargement, environment, US and EU trade relations. The most visible of these were the Bangemann group, with eighteen leading European industrialists working on the European telecommunication policy agenda, and the Christophersen forum on energy and transport (Coen 1997, p.96).

The Transatlantic Business Dialogue (TABD), a European Commission and US State Department initiative set up in 1995 involving 112 top American and European chief executives, was turned into a policy-making body as well, despite questions raised about the accountability and legitimacy of big business forums. This problem became visible in episodes such as the TABD neglect of the European Generic Association (EGA), an *ad hoc* alliance of 400 small and medium size enterprises, on the discussions related to intellectual property rights and patent expiry times (Coen and Grant 2001). Arguing that the EGA represented a marginal part of the market, the EC, big pharma companies and the European Federation of Pharmaceutical Industries and Associations (EFPIA) excluded the Association from DG Enterprise, while corporations like SmithKline and Glaxo kept their insider status. The problem was reversed by the EGA with a vertical alliance with the US National Pharmaceutical Association which, in turn, convinced the FDA not to attend TABD discussions on the subject and threatened to advance anti-trust proceedings.

Another part of big business' strategy in this second phase of European policy making was directed to the traditional forms of collective representation, namely the revitalisation of the European federations – and, to a lower extent, the national associations as well. The idea was to restructure membership and decision-making systems to allow the influence of individual firms, following an Amcham style (Cowles 1998). The argument was that direct membership allowed Federations to be a platform in which core issues are distributed among members, facilitating the monitoring of a greater number of areas with greater level of expertise and low cost. Some sectors, usually the ones dominated by few big players or concentrated geographically, are particularly suitable for firm-driven European federations, as interests tend to overlap and the transaction cost of reaching consensus is much lower (Bennet 1997). Besides the domination of few players and the capacity of direct influence by firms, Grant (2000) also links the effectiveness of federations to the importance of the sector, the extent of its exposure to EU regulation and its organisational maturity. Chemicals, oil and pharmaceuticals fit the description, and the strength and efficacy of the European Federation of Pharmaceuticals Industry Association (EFPIA) and the European Chemical Industry Council (CEFIC) seem to confirm this assumption. Their structures also hint at a certain tendency of colonisation by giant firms' interests, even though the representation of small and medium size enterprises is also in their job description.

The same principle applies for national associations, as the most successful ones tend to represent industries with high concentration or major clout. An example is the Association of the British Pharmaceutical Industry (ABPI), strategically located at Whitehall and with a permanent 60 people staff. Here, again, a great deal of colonisation by big firms is observed, as full membership is only offered to companies providing prescription medicines to the NHS or researching and developing medicines for human use in the UK and, at the same time, only full members are allowed to "participate in committees, task forces and advisory groups as appropriate and so have a real influence on the future policy and direction of the industry", with the other categories pending invitation to join specific committees[4]. In 2005, the ABPI's board of management had 16 members, eleven of them representing the major corporations in the sector – Pfizer, Johnson and Johnson, Schering-Plough, GlaxoSmithKline, Merck Sharp & Dohme, Bristol-Myers Squib, Astra Zeneca, Novartis, Roche, Eli Lilly and Bayer. Despite their primarily national interests, this kind of association has also evolved into multilevel players, pursuing various strategies of representation. The ABPI, for instance, deals with the European Federation of Pharmaceuticals Industry Association and the European Union authorities directly, at the same time that it keeps a close relationship with domestic politicians, universities and government agencies and bodies[5]. According to Eising (2004), 22% of French, German and British associations operate this dual strategy, with some 15% regularly in touch with political institutions in the member states and 41.8% with offices in Brussels.

But the role of the national association has also been rekindled for the less powerful sectors and mostly because of the supranational structural changes (Coen 1997; Wilts 2001; Bouwen 2002). Since the European Commission encouragement to the harmonisation of technical standards, firms are encouraged to monitor implementation and infringements by rivals – an activity that, given the intense and broad level of competition, is best performed by national institutions. Moreover, a few of the standard setting bodies like the European Committee for Co-ordination of Standards (CEN) offer membership only to national standard bodies. This has meant that, particularly regarding technical issues and implementation, firms are more likely to lobby at national level even if the final target is the European Commission. Another targets usually cultivated domestically are the national representatives working on the Council of Ministers. For the less wealthy association, multilevel strategies are usually too expensive and, as an alternative, most of the associations wishing to establish a Brussels office have tried unorthodox arrangements like sharing a space or using the address of a powerful association, such as the Confederation of British

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[4] See ABPI's website on http://www.abpi.org.uk/members/benefits.asp#voice.

[5] At the time of the writing, the Association of the British Pharmaceutical Industry is intensifying domestic lobbying against the proposals by the Office of Fair Trading to overhaul the pharmaceutical price regulation scheme, which would mean that companies will have to justify their prices against the benefit their product brings to patients and the NHS. See (Allen 2003)

Industry, or even of a major corporation. The majority, however, operates at national level, taking advantage of the EC rights to check domestic transposition of EU regulations into national laws to expand and reinforce their power domestically.

Large firms lobbying at European level have, therefore, experienced two different environments since the early 1980s: in a first moment, direct input was not only accepted but welcomed by an European Commission dependent on expert knowledge better found within corporations; after the second half of the 1990s, however, the Commission changed its modus operandi for consultation, seeking a larger input from civil society and prioritising encompassing interests at European and national levels, rekindling the role of European federations and national associations in the process.

In other words, this section brought to the fore not only the importance of new governance structures but also the arrival of new actors able and willing to exercise their power. Central to these new strategies of business representation are the direct interaction and negotiation among actors that are not traditional interlocutors of business and whose interests often clash with corporations' goals. This relationship is, thus, a key concern for this work. The way this particular literature portrays the interaction between old and new actors, however, leads to an understanding of business representation and power that leave out of the picture important aspects. This will be discussed in the next section.

3. Business representation in the 21st Century

The two previous sections outlined a shift in the way business, particularly big business, has managed the political representation of its interests in the past 30 years. From a system of interlocked directorships working as a clubland, in which business and political actors operated in a discreet and symbiotic way, relying on a socially accepted culture of self-regulation and independence of business actors, to a much more hostile environment of stricter regulation and external challenges. Business responses to these have been two-fold. In the first stage, a turn to a direct and individual lobbying coordinated by government affairs and public relations departments took place, with the main goal of monitoring and trying to influence or change decisions affecting unfavourably the corporation; the second phase marked a move to a more complex strategy in which direct representation had to be mingled with previously neglected collective arenas like European federations and national associations, as interests and conflicts of interest needed to be curbed in the name of political legitimacy.

Examining the dynamics of business representation, Streeck (1989) argued that collective bodies have to achieve a balance between the logic of membership, as the values and interest perceptions of groups and individuals they represent, and the logic of influence, which reflects constraints and opportunities offered by the institutional environment, if they are to succeed in their roles. Even though firms are not collective bodies[6] - on the contrary, most of this chapter is about an individualisation of business representation that allows firms to advance their own interests - these ideas are useful for the analysis of the changes of the past three decades and their consequences because they highlight the relationship between agents and structures. While both ‘logics’ are undoubtedly underlying political science’s understanding of the representation of individual firms since the 1970s, the dominance of one logic over the other in each of the two stages described in the chapter is clear. As a consequence, a particular take on business power in the beginning of the 21st Century is conveyed.

The decrease of the interlocked directorships and the weakening of the ideology that socially legitimated the role of firms as autonomous entities are, in Moran’s view (2006), the two main reasons behind the individualisation of business representation that would directly impact the problem of collective action in the UK. When big business turned to the defence of its own interests in an increasingly regulated and hostile environment, it placed much less emphasis on collective bodies of representation and, by doing so, contributed to a sharp decline in institutional solidarity. This view takes into account both the logic of membership and the logic of influence, but there is a clear emphasis on the latter as the main reason behind the shift: it is the domestic structural changes brought about by processes of globalisation/regionalisation and deregulation of finance that have destroyed the basis upon which British business solidarity had been able to stand for more than half a century.

In this version, it is implicit that firms would have happily continued to rely on the system of elite networks and self-regulation if allowed to but were thrown into

[6] For a discussion about the logics of membership and influence for the political geography of business representation in the UK, see (Wood, Valler et al. 2005)

individual representation by external circumstances. In other words, business did not premeditatedly decide to be in its own interest to change the previous arrangement but was forced to do so as a defensive reaction from structural/environmental changes. On the other hand, it is also assumed that, once the shift became institutionalised via government affairs and public relations departments inside big corporations, individual behaviour has become the strategic tool perceived to be more effective and suitable for defending business interests in the new scenario, a sign of the 'logic of membership' at work. This leads us to what we called the second shift of business representation.

By the end of the 1980s, beginning of 1990s, business had established secure routes of individual representation, generally via internal government affairs departments or through external lobbyists. For almost a decade, collective bodies of representation were used in very few occasions and lacked actual power, particularly at supranational level, a policy arena getting up to speed with the imminent signature of the Single European Act. By the end of the decade, overwhelmed with a huge stream of individual business lobbying and struggling to beat the legitimacy deficit accusation hanging above its head, the European Commission started to restrict access to its forums for individual corporations while expanding it to non-governmental groups. The changes forced firms to diversify their lobbying strategies by including collective bodies of representation and consensus building in their syllabus in order to establish a legitimate status in policy making. As a consequence, an unexpected growth of European collective forums in the 1990s, particularly European federations, is recorded.

Here again, the logic of interest is obvious: structural changes initiated by the European Commission altered once more the rules and firms had to adapt. However, unlikely the first shift, this structural reshuffle has never required the abandonment of the direct representation strategy. In fact, the revitalisation of collective action has become viable only because giant corporations started to legitimate their position inside collective bodies by restructuring membership and decision-making systems to increase their own direct participation. Paradoxically, it is the logic of membership – of what firms perceive to be in their interests and are allowed to do by themselves – that is the drive behind the rekindling of collective action and alliance building. Firms are endorsed to proceed with their individual representation, retaining their influence intact, as long as the results are seen to contribute to the common good.

The picture of business power in the beginning of the 21st Century is, therefore, one in which agency occupies centre stage: on the one hand, sophisticated strategies involving alliances and subtle domination of collective channels become key tools for achieving corporate goals, compensating the loss of informal routes based on elite interactions; on the other, agency is also seen as able to circumvent structural constraints, which in turn seems to imply a certain degree of inbuilt structural bias toward business. In other words, at the same time that business' agency has been able to enhance its power, structural changes initiated by other actors have not been enough to constrain business influence, fostering a smooth reproduction of the clout of big corporations and their interests. Grant's conclusion that "big business is on the winning side more often than not, so that even if multinational companies do not control the policy game, it produces outcomes which are acceptable to business interests most of the time" (2000, p.82) mirrors much of the work on the field. The problems with these ideas, which to a significant extent underplay the role of other actors, their interests and power, are going to be further explored in chapter III.

Conclusion

This chapter tracked the main changes of business representation in the past 30 years according to a dominant literature in political science. In this picture, giant firms have increasingly entered policy making as individual actors in their own right, a result of structural changes of the past three decades. The first stage marks the turn to DIY representation, a strategy reinforced in a second phase characterised by the growing importance of the European Union as a policy maker.

In a nutshell, the picture painted here is one of interaction between external changes and institutional strategy, resulting in different tactics of representation being developed throughout the last three decades: from informal and discreet persuasion to blatant attempts to influence, and back again to subtler mechanisms of representation. Both structure and agency are at play but there is an implicit assumption of the supremacy of one over the other in different moments in time: while the first shift is seen as weakening agency and influence, the second seem to have strengthened them. This, in turn, has consequences for how we understand business power and its reproduction.

One of these consequences is the framing of the issues as one of either/or - business power is shrinking or growing - rather than considering changes on its nature and the impact of different actors and structures on it. Other disciplinary approaches, therefore, are useful here. The next chapter will use the general framework of cultural economy, as well as the particular account of these scholars about the economic representation of giant firms (i.e. stock market interactions), to search for an additional/complimentary view of business representation and power in the past decades.

Chapter II - Financialisation and the turn to narratives

The previous chapter reviewed how changes in capitalism and its governance in the past 30 years have impacted business, its representation and power as a key political actor. The main task of this chapter is to consider the other side of the coin: the focus is on how these environmental changes have impact business, its representation and power as a key economic actor. Highlighting these processes is therefore one of this chapter's functions; the other is to consider the different account of business representation offered by a group of scholars operating under the broad intellectual umbrella of cultural economy, a field that has attracted researchers from a variety of disciplines and grown in profile since the late 1990s.

The links between big business and modern capitalism have to a great extent informed the debate within political economy in the past four decades. On the one hand, the work of scholars like Galbraith (1967/1972) and Chandler (1977) highlighted the role of big business as a crucial institution of American capitalism, with the business enterprise credited with taking "the place of market mechanisms in coordinating the activities of the economy and allocating its resources" (Chandler 1977, p. I); on the other, the recognition that capitalism has national variations, meaning the American setting is not universal, has started another stream of research since the release of Shonfield's essay *Modern Capitalism* (1965).

The most substantive attempts to analyse the impact of capitalist changes on corporations, particularly the scrutiny of the so-called financialisation of capitalism, come from political economists based in economics departments or business schools (Boyer 2000; Lazonick and O'Sullivan 2000; Duménil and Lévy 2001; Crotty 2003; Stockhammer 2004; Krippner 2005). These authors analyse how the structural adjustments within capitalism have altered competition models and productive activities, with the growing importance of finance bringing further constraints to firm agency and strategic adaptation. The focus, thus, is on a post-Fordist capitalism in which investors, particularly institutional investors, have acquired substantial power to influence managerial decisions and, ultimately, accumulation patterns.

Two 'schools' have been particularly active in this research agenda: the regulationists, in particular the French school, that understand capitalism as a series of phases defined by structures, meaning institutions and conventions regulate and reproduce a particular accumulation pattern; and the institutionalists, that subscribe to the idea that institutions and the hierarchy among them define capitalism, but with the conviction that they should be studied at national rather than global level. Since the 1990s, they have been joined by cultural economists, a group sceptical of this neat representation of capitalism, preferring instead to consider capitalism as constantly ‘under construction’. This incompleteness, on the other hand, is linked to the role that discourses and performativity play in the framing of economic spheres. In other words, cultural economy brings in issues usually absent from the explanations presented by political economists.

Unsurprisingly, the work of cultural economists on business representation also takes into account discourses and performativity to argue that, rather than succumbing under the crushing weight of finance-led capitalism, corporations have used stories as a strategic tool to manage the City. In this cultural account, ‘the firm’ or ‘the market’ are deconstructed through the analysis of the roles different actors have played (actively or unintentionally) in shaping the economic system and how giant firms have contributed and responded to the changes.

For the purposes of this thesis, therefore, a brief recapitulation of the political economy accounts of capitalism is in order. This approach provides a valuable description of the events of the past decades, this time with lenses firmed on the economic (firms and markets) rather than the political (the state and policy making) side of the equation, which is a suitable complement to chapter I. An essential part of the work of cultural economists is based upon the questioning of some of these mainstream political economy ideas, even thought there is overlapping between the groups too. The first section of the chapter, therefore, reviews how the last decades have been portrayed by the political economy literature before moving on to the cultural economy contribution on the wider debate about business and capitalism.

The second part comes closer to the core interest of this work, business representation, by considering different but interconnected views on the importance of culture for the functioning of financial markets. Here, the cultural economy account of business representation is taken as a very useful framework for understanding communication between corporations and their new and old stakeholders. Part three considers how these changes have been perceived and institutionalised by giant firms according to a business and management scholarship, as well as their view of the importance of narratives both to wider audiences and stock market players.

1. Capitalist restructuring and firms: political economy and cultural economy approaches

The debate about whether the changes in capitalism in the past three decades represent a radical break with the past or are a reshuffle of old patterns has attracted interest from a diverse scholarship across social sciences (Amin 1994; Kitschelt, Lange et al. 1999; Streeck and Thelen 2005). On one side of the spectrum are the regulationists (Aglietta 1979; Aglietta 1982; Lipietz 1982; Boyer 1991; Boyer 2001; Jessop 2002), proponents of the former and more generally interested on the identification of the successor(s) of Fordism; on the other, cultural economists sceptical of epochal shifts and more interested in questioning coherence than looking for its maintenance or restoration (Williams, Cutler et al. 1987; Sayer 1989; Thrift 1989; Thrift 2005). In between are the institutionalists, also a long continuum ranging from approaches that prescribe rational choice as the appropriate analytical tool (Iversen 1999; Soskice 1999; Aoki 2001; Hall and Gingerich 2004) to scholars who acknowledge social construction and place institutional development within historical contingencies (Jenson 1989; Weir 1992; Martin 2000; Crouch 2001).

Regulationist approaches, particularly the French school, consider the history of capitalism as a series of phases defined by institutions and structural forms that give rise to particular economic trends and patterns (Aglietta 1979). In this view, there are institutions and conventions that regulate and reproduce a particular accumulation regime as long as coherence lasts. In the particular case of the establishment and demise of Fordism, wage/labour relations were seen as occupying a predominant institutional position because mass production and mass consumption were fundamental for the coherence of the system. A capital/labour compromise meant taylorist methods were established in exchange for productivity gains and employment stability overseen by the welfare state. When this coherence ceased to exist, the system collapsed, setting in motion a structural crisis that would remain unresolved until a new driving institutional form is established. Developed in the late 1970s, early 1980s, the theory's ambition is to present a generic portrait of advanced capitalist countries within a given period of time. With the 'end of Fordism', the natural move was to identify the new mode of regulation likely to replace it.

For regulationists, the changes in the past three decades led to a new regime of accumulation that Aglietta calls patrimonial growth, where the mode of management and of corporate governance is linked to the management of individual patrimony or wealth (Aglietta and Cobbaut 2003). Central to this process is the financialisation of the economy, understood as both the growing power of market finance *vis-à-vis* classical finance intermediation by banks and the conversion of household incomes into financial assets (i.e. pensions). These are administered by institutional investors who, in turn, become significant shareholders able to influence the behaviour of decision makers. Key to this mode of regulation, whose institutional make-up is led by the monetary regime and the financial system, is the notion of shareholder value (Ibidem, p.94).

While regulationists are looking for an unified macro model able to represent capitalism and explain its frequent crisis, a growing number of researchers are interested in what makes national cases different from each other: in other words, the assumption that there were different models of 'fordism' (and post-fordism) rather than one American way replicated around the developed world gained empirical support and theoretical distinctiveness by the end of 1980s[7]. Like the regulationists, these scholars consider that institutions matter and that coherent growth patterns are defined by the complementarities among them. For Amable, "understanding the diversity of institutional structures, and hence the diversity of capitalist societies, 'national models' or what we will call social systems of innovation and production, requires the study of how different institutions are complementary to each other, in the sense that one institution functions all the better because some other particular institutions or forms of organization are present" (2000, p.647).

Therefore, institutions can reinforce or weaken each other over time, which explains the emergence of a particular cluster of institutions and its demise, at the same time that the hierarchy among institutions can strongly influence the coherence of the system as a whole (Ibidem, p.659). In a nutshell, the argument is that modern economies perform differently because of the way their institutions combine. While the core of the varieties of capitalism research is still Western developed countries, particularly the US, UK, France and Germany (Hall and Soskice 2001; Streeck and

[7] As mentioned before, the interest in capitalism and its different institutional forms has a long tradition in comparative politics, with Shonfield's book on models of European capitalism as one of the most prominent. Subsequent approaches have focused on corporatism and state structures. From the 1980s onwards, inspired by the French regulationists, new institutionalists have turned to social systems of production, with a strong focus on institutional complementarities. For a discussion on the different strands of institutionalism and epistemological approaches see (Hall and Taylor 1996; Hay and Wincott 1998; Thelen 1999; Martin 2005)

Thelen 2005), empirical analysis of other OECD countries have also been published by institutionalists accepting broader 'models' (Whitley 1999; Amable 2003). Authors like Colin Crouch, however, while acknowledging the importance of national variation and path dependence for the analysis of capitalism, are much more sceptical of rigid causal arrows, considering institutions as incomplete and very often incoherent players (2001; 2005)

On their specific analysis of the firm, institutionalists have emphasised the move away from mass production and technological change leading to production regimes that depend on multilevel coordination, focusing on different institutions (Piore and Sabel 1984; Schmitter and Streeck 1985; Lazonick 1991; Hollingsworth and Boyer 1997). The so-called 'varieties of capitalism', a particular approach among the scholarship, has made the corporation its key object of analysis to overcome what they see as a recurrent tendency to focus on states or trade unions. "By locating the firm at the centre of the analysis, we hope to build bridges between business studies and comparative political economy, two disciplines that are all too often disconnected.

By integrating game theoretical perspectives on the firm of the sort that are now central to microeconomics into an analysis of the macro-economy, we attempt to connect the new microeconomics to important issues in macroeconomics" (Hall and Soskice 2001, p.5). The aim is to bring agency to the picture by building a relational concept of the firm in which the development of core competencies is dependent on the relationships corporations are able to establish internally and externally (Ibidem, p.6). Using game theory to predict firm behaviour, nevertheless, partially clashes with accounts of other institutionalists such as Cathie-Jo Martin, whose work shows the firm as a collection of unstable and fragile internal coalitions where tactics and policy goals are complex and negotiated political processes open to contingency (Martin 2000)

The process of financialisation itself and its impact on firms has been also examined by a series of institutionalists and regulationists. James Crotty (2003) describes two structural changes affecting non-financial corporations in the past three decades: slow rates of global aggregate demand growth and intense competition in key product markets, prominent features of the 1970s and 1980s, and a shift from long-term growth to 'impatient' financial markets seeking short term liquidity, a phenomenon more visible in the late 1980s, early 1990s. These developments, in his view, led to a 'neoliberal paradox' in which intense product market competition hinders profitability at the same time that financial markets demand higher earnings under the threat of falling stock prices and hostile takeovers. Lazonick and O'Sullivan (2000) found that a particular strategy to guarantee the distribution of earnings to shareholders has been a managerial shift from retaining corporate earnings and reinvesting in growth to downsizing of corporate labour forces and distribution of dividends, a short term approach affecting distribution of income and the already low level of American savings.

Choosing financial performance over growth, on the other hand, is seen as playing a role in general patterns of accumulation. Stockhammer (2004) argues that the shift to financialisation has slowed down accumulation in France and the US, as firms have chosen not to invest in productive sectors. His argument is supported by Krippner's (2005) findings about the US. Since the 1980s, upward surges in portfolio income of non-financial corporations were related more to increases in the interest component than to capital gains. In addition, corporate profits are increasingly coming from growing financial services, at the same time that manufacturing profits are declining. In other words, productive interests are seen as being crowded out by financial interests, creating a complex and unstable system.

While regulationists and institutionalists have significantly contributed to the debate about capitalism, its developments in the past three decades and their impact on corporations, their version is not without problems. The regulationist school, striving towards a theoretical framework that can capture capitalism as one unified model dependent on institutional complementarities that sustain and reproduce the coherence of the mode of regulation, assumes the existence of irresistible top down forces driving the whole economy. This leaves little scope, or interest, for the analysis of agency. Institutionalists, by contrast, have tried to break this determinism by looking at how institutions shape social interests and create opportunities and constraints, bringing agency in with extensive empirical work. But part of this scholarship has fallen prey to an aspiration, as in regulationism, to classify capitalism(s) according to unifying characteristics, ending up with a dichotomy between coordinated and market-led models, at the same time that game-theory approaches have struggled to identify and explain change within the types, leading to the functionalism and determinism it has set up to avoid (Howell 2003; Coates 2005; Crouch 2005).

These problems, for cultural economists, stem not so much from the efforts to put together pieces of the puzzle, a commendable and necessary academic activity, but from the assumption that there is a self-contained and finished puzzle at all. For cultural economists, the analysis of capitalism, because of its complex nature, is one that also requires ‘real-time’ commentary. It is to their version of events that we turn next.

1.1 Cultural Economy

A crucial part of knowledge production is based on the deconstruction of past events to explain the functioning of a system, adding depth to the analysis. Unsurprisingly, most of the resulting accounts tend to provide neat explanations about what has happened and why, presenting theoretical schemes that will inform predictions to what might happen in the future. Cultural economists, as a general rule, are suspicious of this neatness. Or, more precisely, they are sceptical that phenomena such as contemporary capitalism can be captured by these viewpoints alone. For these scholars, capitalism is not a coherent project made of connecting jigsaw pieces but something that allows contingency, that could turn out differently, that is permanently unfinished, or ‘under construction’, as Nigel Thrift puts it (2005, p. 3-4). Keeping pace with the restlessness of capitalism is, therefore, the only way to avoid becoming disconnected from the object of critique, an exercise that calls for critical writing that pays “close attention to the present”, a genre of commentary positioned between academia and journalism rather than in-depth ex-post analysis (Ibidem, p.11).

Cultural economists are particularly interested in the role two elements play in the construction of capitalism: discourses and performativity. In their view, economic narratives format the economy and help to rekindle ‘spirits of capitalism’ in constant adaptation (Boltanski and Chiapello 2005). Discourses “frame markets and economic and organizational relations, ‘making them up’ rather than simply observing and describing them from a God’s-eye vantage point” (du Gay and Pryke 2002, p.2). On the other hand, the continuous responses to new drivers, adaptations and mutations are the performative side, with actors’ reactions to events being about following existing rules and establishing new rules.

Under this light, what is new is not financialisation or new technologies *per se* but how a discursive apparatus “has produced a process of continual critique of capitalism, a feedback loop which is intended to keep capitalism surfing along the edge of its own contradictions” (Thrift 2005, p.6). This ‘cultural circuit of capitalism’ involving business schools, management consultants, management gurus and the media, is what Thrift considers the main creation of capitalism in the post -1960s period. At the same time, performativity never leaves the picture, since part of the analysis is to understand the way in which the construction of economic realities is achieved, how a number of activities and objects that we seen as the economy are in fact assembled from a number of parts, some from economics but also from other sources including cultural practices (Miller 2002). The idea of cultural economy is hence to act “on the assumption that economics are performed and enacted by the very discourses of which they are supposedly the cause” (du Gay and Pryke 2002, p.6).

A growing literature exploring these ideas of discourses and performativity in economics has been produced since the late 1990s, many of them linked to rational and ‘self-correcting’ environments such as the stock markets. MacKenzie and Milo (2003), through a historical analysis of the origins of the Chicago Board Options Exchange, show how the collective action of implementing the Black and Scholes pricing theory has changed future prices in accordance to the model for 11 years (1976-87) and how the stock market crash of 1987 changed this verisimilitude by inserting a factor – the possibility of crashes – that was not in the model. In his study about portfolio insurance, MacKenzie (2004) has argued that discrepancy can also be due to “counter performativity”, when “its (the model) widespread adoption can undermine the preconditions of its own empirical validity” (Ibidem, p.306).

Paul Langley (2006; 2007) looks at the assembly of everyday investors’ identity in Anglo-American capitalism, highlighting how the discursive representation of investments as essential to the production and reproduction of individual security is central to this process. Discourses, in this case, are built around the idea of responsible investors ready to embrace financial market risks, with investment shortfalls being responded to by policy makers through literacy campaigns and attempts to bring in ‘excluded’ subjects. Part of this naturalisation of finance and the reinforcement of the idea of individuals as bearers of the risk associated with long-term wealth and retirement is made through the media, whose changing relationship with the industry is captured by Clark et al.(2004).

Contemporary capitalism for cultural economists is, thus, an open ended and socially constructed project based on discourses and performance of different actors, with contingency playing a more explicit role than in the accounts of regulationists and institutionalists in search for categorisation of types of capitalism. The next section will focus on the essentially cultural changes involving stock markets and giant firms since the 1990s, as pointed out by academics and a practitioner, leading to a cultural economy depiction of giant firm representation in which stock market analysts, shareholders and journalists are involved in the construction of stories.

2. Business representation as a cultural process

Three interconnected views of the communication process, both within a group of financial actors and between them and others actors, will be reviewed in this section: one comes from a retired City practitioner interested in stories shared between the City and corporations; another version comes from media sociology studies and focuses on the ways in which City executives have been able to construct a particular version of reality and spread it to society; a third approach considers how corporations, finance analysts and journalists jointly construct narratives about strategic moves and business models that will deliver expected financial numbers.

All three accounts have a common point: the recognition of the importance of narratives in the process of economic representation of giant firms and the role of the corporation as story teller. By focusing on different actors, they offer complementary parts of the puzzle. Golding's (2003) stories in a box are institutional investors' summaries of firms in response to their narratives and results, the way investors 'read' information about corporations they invest in. Davis' (2002) work is a dissection of the other end of the process, a different account of how firm narratives are being produced and delivered through the media with the very clear purpose of influencing investors and other elites. In other words, Davis scrutinises the making of what will become a story in a box and the wider consequences of these for democracy. Froud et al. (2006) bring complexity to the story making process by adding context, numbers and co-authors to the process. Narratives are analysed, contested and responded to by external actors.

Golding's world is comprised of powerful City fund managers, listed companies and a second tier of journalists and analysts that, working for the delivery of complete information, build a perfect market. Golding dismisses the criticisms of authors like Will Hutton (1996), who want a more patient capital and stricter regulation of financial actors; Davis' reality is as enclosed as Golding's, but power inequalities are put at the centre of the analysis when a small financial elite formed by companies and their respective public relations staff are trying to manipulate the market and, in the process, win the financial media over, creating a democratic deficit; Froud et al.'s account is about the encounter, and the inevitable clashes, of these different actors and interests. By adding social and political context to the picture, these authors, in different degrees, analyse the problem of the construction of information.

2.1. An engine made of actors and information flows

Why can share prices dive after good annual results are presented? Tony Golding spent two of his 24 years as a City of London executive before he got to the answer: financial markets are not only made of rational agents evaluating facts but also run on expectations: "shares are valued on what people think the future holds – not on what has happened", he says on the preface of his book (2000). What people think the future holds, on the other hand, is constructed by a constant flow of communication involving a network of actors in one of the world's most important financial centres. For Golding, there are two key actors in the City: fund managers, a small group of people[8] responsible for choosing a rather restricted portfolio of companies in which to invest; and the companies themselves, represented by their CEOs and CFOs. Both sides are under strong pressure to perform according to index expectations. In between those main actors are important intermediaries: analysts, usually working for investment banks, and finance journalists.

To make the task of keeping track of dozens of companies easier, fund managers reduce each firm to what Golding calls 'stories in a box': a set of two to five bullet points reminding them of why the stock was bought in the first place. Buy and sell decisions are usually based on how new information affects each of the bullet points, which makes managing communications to produce the right perception crucial to companies. Stories in a box are deemed as important as accountancy figures

[8] In the UK, the top 10 pension fund managers are responsible for 63% of all money invested in the British equity market (Golding, 2003, p.130)

like ROCE, sales, earning per shares and other ‘factual’ issues, but cannot be substituted for these as fund managers are guided by instrumentality. In a way, both stories and numbers tell a version of the ‘truth’ and, therefore, are considered together.

Golding argues that communications between actors happen through two channels. The first is direct contact with institutional investors: CEOs spend an increasing amount of time ‘talking to the City’, with large companies’ senior executives meeting about 40 institutions on a one-to-one basis every year (Golding 2003, p.173). These meetings are generally about long term strategy and are crucial to investors for asking not only about what the company plans to do but also about how it is going to deliver the promises. In other words, in these occasions companies provide the basic material from which the stories in a box are made. A CEO’s personal record also counts heavily to fund managers and the way they perform is evaluated at every opportunity.

A second channel of communication involves intermediary actors. The process consists of top executives talking to sell-side analysts and journalists on a regular basis, with the latter getting back to experts, most of the times investment analysts themselves, to triangulate information. When published, newspaper articles will in turn influence shareholders’ views about a particular company, creating expectations. Most of this exchange regards quarterly results or any updates/alterations of the story line, aiming to support a ‘no surprises’ environment and manage expectations. The ability to keep the news flowing and to ensure the best possible reactions from fund managers, analysts and journalists is what builds credibility in the City. Companies who know how to play the game are, as a consequence, rewarded with financial stability.

Golding’s description of how information flows between City institutions and giant firms shape expectations and move the finance machine is an insightful starting point for the idea of communication as a social construct. Firstly, it breaks down what is usually referred to as a coherent institution – the City/the market - into a range of actors and groups. Secondly, it describes cultural interactions that are not only fundamental for the functioning of financial markets but also capable of changing the way actors behave. His version, however, takes for granted power relations and conflicts of interests. For Golding, information flows inside the City are the ultimate fulfilment of rational choice theory’s promises based on a power structure in which institutional shareholders' interests have priority, which is accepted by companies. Analysts and journalists, on the other hand, are the means to an end: complete information. The underlying assumption is that everybody benefits equally from a perfect market, further reinforcing what is portrayed as natural and desirable power structures.

2.2 Narratives as strategy

Questions about power, or rather about a shift in power relations, in contrast, are at the core of Davis' analysis (2002) of the City engine. More specifically, he is worried about how disproportionate power exercised by small financial elites over a fraction of the media affects not only the City but society as a whole. For him, an increasingly strong lack of independence of the financial media is leading to a widespread crisis of public communications. In a nutshell, his argument is that a group of City executives is being allowed to construct its own version of reality and circulate this publicly via an uncritical sector of the media which, nonetheless, is perceived as a democratic, independent and pluralistic arena.

Davis starting point is the growth of the public relations industry from the 1980s and its changing nature from the mid-1990s onwards, marked by the growth of a specialised branch of finance public relations. This development happened in tandem with an unprecedented expansion in the production of business and financial news, turning both finance PR and finance journalism into premier employment sections of their industries. While a pluralistic account of the expansion argues that factors like growing public interest and information requirements of the stock market have raised the demand for business news and, as a response, finance PR has grown, Davis advances another explanation: what started as a reactive need to fulfil regulatory demands has been turned into a strategy to gain competitive advantage. Corporations, with the help of a proactive financial PR, have colonised financial news media by controlling the whole productive chain: from paying for the advertising that expanded the news coverage in the first place to functioning as the main sources and consumers of the information published.

This adds a different spin to the communication process described by Golding. In Davis' version, the main objective of corporate financial PR inside the City is not to create a perfect market but, on the contrary, to take advantage of the imperfections of the existing one. To sustain or raise shareholder interest and support, “impartial information is transformed into partial rhetoric at all levels and begins with the presentation of (accountancy) figures”(Davis 2002, p.68). With a clear intention of shaping business news and influencing investors, corporate elites have been able to succeed because of the domination of the news production process. By being the main advertisers, sources and consumers, firms occupy a strong position in relation to the financial media, which is no longer faced with the obligation to please a diverse audience and, therefore, may ignore information requirements of other actors, including regulators and the general public.

The process consists in capturing business news within “closed discourse networks”, with the establishment of a multidirectional and exclusive communication between top corporate executives, public relations specialists, fund managers, analysts, merchant banks and financial journalists. PR departments feed journalists and analysts with information and these actors, in turn, communicate with fund managers and other actors in this elite circle to convey their views and follow their actions. As a consequence, financial articles are produced by the City for the City, excluding small investors, regulators and general public interests and concerns from main broadsheets. More important yet, it tends to legitimise a financial elite agenda as if it represented a widespread set of concerns. The media, instead of a ‘fourth estate’ guardian of democracy, becomes then a mere conduit of the ideas and beliefs of a very specific and elitist group of society.

The hostile takeover of Forte Plc by the Granada Group in 1995 is used to show how the concentrated effort of financial public relations firms hired by both corporations manipulated the financial media towards one side or another in the various stages of the battle. Shifts in share prices were closely linked with many of the several thousand articles published in the pages of financial newspapers, with clear changes of heart happening after a series of information/numbers/opinions hit the headlines. Third parties, like market analysts and business schools academics, were used by both sides to convey a qualified opinion about the takeover. Issues raised by the communications teams, Davis argues, were chosen to impact the deliberation process of decision-making actors – in this case, fund managers with big chunks in both corporations. A contest between CEOs was fuelled by articles about personalities, management styles and performance records.

Numbers were hand-picked to paint the desirable picture, with analysts coming in to predict future growth for the firms and the industry. Davis also found that shareholder value and other City concerns were the only focus of articles (in a sample of 582 pieces, 93.8% were published in the financial and business sections). As a result, Granada had to raise its bid and Forte's shares went up 54% in a little more than two months, while other stakeholders' interests (e.g. employers and consumers) were absent from the coverage. Accountant, law and PR advisers were also winners, with fees reaching £150 million for both sides. Employees were the big losers, with Forte having to be carved out up to pay the debts Granada acquired to finance the takeover.

In Davis' account, cultural practices are central to firm strategy: for the particular purpose of influencing decision-makers (investors), corporations establish 'discourse networks' to engage in mediated battles structured around the rhetoric of shareholder value and strategic moves endorsed or rejected by management gurus (members of the broader 'cultural circuit of capitalism' identified by Thrift (2005)). In effect, Davis questions Golding's assumptions by highlighting different and conflicted interests at play, including of actors sidestepped in the previous account such as employees and regulators. It also challenges the idea of information as a neutral commodity exchanged between rational actors, ranked in a neat pack order, bringing to the discussion the growth of a whole industry whose main job is to embellish information for achieving goals that naturalise power relations and structures that mostly benefit elite players.

For the purposes of this thesis as a whole, however, this has to be taken with some caution because the analysis here is very specific to stock markets. Even if one assumes that the co-option of the financial media is a fact, this cannot necessarily be assumed to be the case for the entire spectrum. As the author himself points out (Ibidem, p.46-59), corporate public relations has never really succeed in co-opting mainstream media in the UK and, given the increasing number of non-financial actors claiming a stake on firms' decisions and strategies, corporations cannot shield themselves from firestorms by controlling the financial pages. The number of recent corporate PR disasters started and sustained on broadsheets is a sign of this vulnerability. While Davis highlights a very relevant process, it would be counterproductive to think of it as solving firms' problems regarding their representation.

Another point that needs to be questioned is the underlying assumption that there is a financial elite working together and consistently towards a common goal. Corporations, institutional investors and merchant banks can have very different expectations and conflicting interests, the same ingredients that have been holding back the fulfilment of a true capitalist solidarity amongst business communities. As the Granada and Forte battle makes clear, players are very often not on consensual terms and support has to be fought for; in fact, there would be not point in the war between public relations departments otherwise. The battle was relevant precisely because there was not a simple 'rational' choice available and the role played by individual beliefs and information gathering processes could be manipulated by smart advisers towards each one of the sides. Representing financial actors as a coherent elite group whose interests are in opposition to society's interests might be necessary for setting up an analytical frame. But grouping these actors together as a homogenised block suggests an overwhelming top down exercise of power that unavoidably biases outcomes and builds a cage from which actors cannot escape.

2.3 Agents, moves and numbers

The previous accounts have offered very useful points: a variety of actors operating in financial markets build expectations about what the future holds based on constant information flowing directly and indirectly, the latter through the financial media. These information flows have become a strategic tool when corporations and their public relations departments, in a bid to influence decision makers, make use of mini epistemic communities, or 'discourse networks', as Davis calls them, to advocate the validity of their strategy and inflate share prices.

Froud et al. (2006) take the idea of narratives as a strategic tool and develop it further by arguing that narratives are used in routine economic representation of giant firms to shareholders. The rhetoric of shareholder value and the strong pressure to perform according to financial parameters form the background of their account, in which corporations, investors, journalists and analysts are involved in co-authoring narratives of purpose and achievement to try to manage investors' expectations and avoid costly share price oscillation. Despite uneven levels of power, actors involved in the process keep a degree of agency that allows them to challenge information and, consequently, outcomes cannot be *a priori* established, with winners and losers differing in every round.

They argue that firm narratives are collectively authored by public relations/communication departments, journalists and analysts that, having access to each others' texts and analyses, re-write and re-interpret them constantly. These stories are usually influenced by broader narratives, both at sector and at macro levels, which function as contextualisation 'canopies'. Abrupt changes in the plot of the story by corporations are taken as a breach of an implicit contract between management and investors, with consequences going from a few hours of share price instability to a crisis that may overhaul corporate governance or even invite attempts of hostile takeover. To avoid disruptions, companies try their best to keep the information flow and warn against possible changes as early and smoothly as possible. This is done by frequent meeting between investors and CEOs and CFOs, both as scheduled events (annual and quarterly results) and private one-to-ones.

Discourses, however, only go so far. Action, in form of management strategic moves, is the visible side of stories, the turning of plans into 'reality'. In this category are most of the mergers, acquisitions and other strategic decisions that keep the story flowing to investors but, at the same time, change the corporation, its drivers of profitability and its future story line. In a crude way, the process of communication consists in firms building their stories around promises of future financial results that will stem from specific management moves, building expectations that are acknowledged and analysed by financial actors. Those managerial actions are causally linked with the delivery of financial numbers that, in the following year, will be scrutinised by journalists, analysts and investors. At this point in time, the company is already different from the one that made the promises and new narratives will be built from the numbers just delivered. In other words, narratives set in motion the performative which, in turn, will alter the company and its future narratives.

In their case study of General Electric (2006, p.299-368), Froud et al. show how Jack Welch, in the early 1980s, divested one fifth of GE's asset base to enact the strategy of only keeping business competitive enough to be number one or two and built an impeccable reputation of a star CEO; Jack Nasser, on the other hand, bought Kwik-Fit in the late 1990s to prove that Ford was on its way to becoming a consumer company providing automotive products and services, a business sold three years later by a new CEO (Ibidem, p.250- 304). The difference was that while Welch was building in GE a financial service basis that would keep the profits growing for the company, Nasser's strategy was a kind of symbolic gesture that was eventually doubted by analysts, journalists and business schools' academics (the cultural circuit of capitalism again), who could not see how his strategy would deliver short-term results.

Stories are accepted or challenged depending on various factors, but the gap between promises and numbers is the quicker and more legitimate way to question corporate narratives: numbers presented by management will set in motion a whole new set of narratives that can reinforce, or damage, credibility. Both too good and too bad financial results, usually checked against commonly agreed accountancy figures like share prices, revenues and return on capital employed, expose firms to a wave of questions about management miscalculations and their links with strategic moves. But there are other structural and very often interlinked issues that can empower external actors to challenge corporate narratives: complexity and context of the industry to which firms belong is one of them. How complex or simple an industry is reckoned to be must influence the reception of stories from the part of the media or market analysts; the more transparent and predictable the sector is considered to be, the more likely it is to be questioned. The reason for this is linked to Golding's concept of stories in a box. To simplify intricate corporations, financial actors strip them down to a few essentials that can be easily followed and compared. Some industries, like oil and pharmaceutical, have important benchmarks (oil reserves and drugs in pipeline) besides traditional accountancy numbers that provide a window into their future performance. They are thus judged by both sets of parameters.

Industry narratives and grand narratives about the economy in general are other factors influencing whether stories are challenged or not. Within this wider framework, civil society's perceptions of narratives can help in the contestation of business prerogatives. The pharmaceutical industry narrative that justified high profits with the need to innovate has fallen under heavy criticism from civil society since the 1990s, throwing the whole sector into turmoil. In this particular case, reassuring the general public, media and governments of the social benefits of patents and high profits is even more important because the market is shaped and constrained by institutions and regulations and cost recovery is dependent on a favourable regulatory framework. When the industry narrative is under fire by social actors, governments are compelled to intervene, threatening the business bottom line (Froud, Johal et al. 2006, p.152-167).

Crisis, therefore, can also start in the civil society domain and reach the financial realm because of their potential to affect profits. In relation to the City, crises where wrongdoing of senior management is suspected are particularly hard to manage. Merck's withdrawal of the pain killer Vioxx, in September 2004, after grave accusations about the safety of the drugs reached the public, was also surrounded by controversy and loss of credibility after a string of media reports about the suspicions that top management at the American company knew about the risks and chose not to disclose them to the market and to patients were published (Ibidem, p.167).

These scholars add contingency to the communication process by highlighting different levels of narratives that bring more complexity to the construction of stories and more actors able to challenge corporate narratives and practices that can affect the bottom line. Their view also sheds light on how these routine interactions between firms and financial markets are not simply rhetoric, as promises have to be enacted and failure is punished, both with tangible effects on the corporation itself. Central to this analysis are assumptions about the instrumentality of actors and the importance of numbers in their calculations, presenting a convincing account of failure and change within this environment. On this cultural economy account, narratives are a tool capable of constructing a shared reality that moves forward as long as there is consistency between narratives and numbers. This is enlightening in the context of financial market interactions but its attempts to draw actors from other realms is circumscribed to the effects of these actors' narratives on firms' profits, without an analysis of how firms are dealing with these attacks in other spheres. Given the importance of these inherently political actors, any attempt to discuss giant firm representation cannot sidestep interactions outside stock markets.

Moreover, the framework has mainly ex-post explanatory power regarding when and why perceptions change. Narratives and numbers discrepancy, contested industry narrative or management wrongdoing cannot explain, for instance, why under Jeff Immelt's management GE's shares have chronically underperformed the S&P 500 index by more than 20%, even though the company has met tough financial targets, expanded to fast- growing sectors, increased its participation in booming emerging markets and sold slow-growth and underperforming businesses. In other words, the main measurement of the power or weakness of a story is made against the absence or existence of contestation: a narrative is considered powerful inasmuch as it is able to avert its own collapse and weak when it does not. While this opens the possibility for failure and change that is missing in structuralist approaches, it does not help our understanding of the processes and elements that gives narratives leverage, which is the main concern of this thesis.

3. Corporate Communications since the 1990s

The previous sections were about political economy and cultural economy interpretations of capitalist changes of the past 30 years and their impacts on firms and their representation. This section is a brief assessment of how corporations have been dealing with the changes, particularly the increasing importance of communication as a strategic tool. The growth of (mainly external) financial public relations and their involvement in mediated wars between corporations is M&A disputes described by Davis (2000) is one side of the picture; the other is a distinct upgrade of corporate communication in the internal rankings of firms in a similar fashion that human resources and finance departments once became the fastest route to the top.

A report by the Corporate Communication Institute (Goodman 2006) on a survey of 100 companies(Fortune 1000) revealed that executives see communications as “more strategic than ever” and considerer their primary role to be “counsel to the CEO” and “manager of the company’s reputation” (Goodman 2006, p.5). In comparison with the first study, carried out in 2000, executives involved in corporate communication have become more senior, more educated, with the number of holders of MAs in business or communications doubling. The gender balance has also shifted, with the number of women on these roles falling from 55% to 35%, at the same time that the number of executives earning top salaries (300k +) doubled in two years. These changes were matched by alterations of business schools’ offers. The inclusion of communications either as a whole MSc course or as a core discipline in management/strategy programmes has become widespread, with top universities such as Pennsylvania Wharton and London School of Economics adhering to the new trend.

Corporate communications, therefore, has evolved to integrate what hitherto had been separate functions. Public relations, employee communications, personnel, marketing and quality management are some of the activities Varey sees as being "broadened and melded into a core organization and management function" (1997, p.68), at the same time that the recognition of communication as an strategic issue rather than just an information dissemination role has become widespread. Unlike the old types of business communications "focusing on writing, presentational and communications skills (…) largely restricted to interpersonal situations such as dyads and small groups within the organizations", the new corporation has wider concerns and communication should focus "on the organization as a whole and the important task of how an organization is presented to all of its key stakeholders, both internal and external" (Cornelissen 2004, p.20).

Part of the exercise has been an exhaustive academic discussion about stakeholders and how to prioritise them. For an increasing number of scholars, the neoclassical theory of the firm, with the main assumption that corporations should aim at profits and be accountable only to themselves and to their financial partners (shareholders), has lost ground to a broader perspective: the socio-economic theory, in which the stakeholder model is embedded (Freeman 1984). According to this school, accountability reaches out to others groups or individuals with legitimate interests in the firm. "Instead of considering organizations as immune to government or public opinion, the stakeholder management model recognizes the mutual dependencies between organizations and various stake-holding groups" (Cornelissen 2004, p. 59). Understanding how and why managers make their decisions to respond to particular stakeholders and whether they have been prioritizing the right actors has become a hot topic, with the great number of crises involving giant firms in the 1990s working as a catalyst to systematic research into a normative and descriptive theory.

Different definitions of the nature of stakes and types of stakeholders have been developed. Freeman broadly defined stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (1984, p.46) and classified three groups of stakes: equity stakes, economic or market stakes and influencer stakes. Clarkson (1995, p.106-107) also uses the idea of economic or moral claims to base his classification on. In his view, there are primary and secondary stakeholders: the former being shareholders, costumers, suppliers and any other individual or group whose dissatisfaction has the potential to economically damage the company; and the latter being those who influence or affect (or are influenced or affected by) the corporation. Stakeholders can also be divided into contractual and community (Charkham 1994): contractual stakeholders have some form of legal relationship with the corporation while community do not – here the dichotomy between economic and moral interests arises again.

Attempts to narrow down the definition of stakeholder have also included the use of other dimensions to help with the task of identifying the broader stakeholder environment and, more important yet, deciding who really counts. Savage et al. (1991) added two dimensions – potential for threat and for cooperation – to classify stakeholders as supportive, marginal, non-supportive and mixed blessing. A more sophisticated account is presented by Mitchell et al. (1997), considering the combination of power, legitimacy and urgency as creating different types of stakeholders. In this framework, the attributes are variable and not always consciously exercised, which means that stakeholders/firms relations are in constant mutation. Seven types of stakeholders result from the combinations of power, legitimacy and urgency. The first three types are what the authors called "latent" stakeholders, who possess only one of the attributes: dormant (power), discretionary (legitimacy) and demanding (urgency). Expectant stakeholders possess two of the attributes.

To gain complete attention from managers, however, a stakeholder will need the three attributes, turning into what Mitchell and his colleagues call "definitive stakeholders". The most likely scenario is that a stakeholder possessing power and legitimacy acquires urgency – if suspecting their interests are not being seen to properly, for instance. The 1993 upheavals at IBM, General Motors, Kodak, Westinghouse and American Express involved stockholders who became active when they felt that their legitimate interests were not being served by the managers of these companies. When stock values plummeted, a sense of urgency was engendered and these powerful and legitimate stakeholders removed management deemed to be responding insufficiently or inappropriately (Ibidem, p.878).

With Mitchell et al.'s classification in mind, it is unsurprisingly that the most significant institutional change in the past thirty years has been the growing importance of the finance function, which is more directly linked to a potentially definitive stakeholder: investor relations. Until the beginning of the 1980s, interacting with shareholders was seen as part of the job of the chief financial officer (CFO) in his spare time, with investor relations departments functioning as a mixture of public relations and crisis management. "Contact with shareholders was largely episodic, reactive and unorganised", says Useem (1993, p.132). By the end of the decade, it had become a “full time professionalised operation”, with the office reporting directly to the CFO and CEO (Ibidem). In Jonathan Davis description, “until 10 years ago, for example, the finance director's programme of investor relations at one of Britain's largest companies consisted of a glass of sherry once a year with the 20 largest institutional shareholders. It was up to the company's brokers to do the day-to-day job of keeping the rest of the market happy. The financial press, meanwhile, was handled separately but on the same largely informal basis. There was little systematic attempt to decide what the company should be saying, nor much effort to ensure that the same message was directed at different audiences. Few companies would dare to act the same way today, particularly when management is held increasingly accountable for the company's share price” (1995, p.72).

Marston (1996), in a study with 61% of the top 500 UK quoted companies, found that various corporation directors were involved in managing and executing the investor relations function within British firms as early as 1991, with CFO and CEO directly involved in its activities. More than 50% of the corporations had a designated investor relations executive, with the average board directors spending 37 days a year on investor relations. Moreover, privatised companies, as well as the ones with high specific risk, were more likely to have investor relations officers. In a survey of the top 80 European corporations (excluding UK-based), 96% of the respondents have an investor relations department, most of them established between 1988 and 1994 due to a variety of reasons including privatization, increased levels of disclosure and the establishment of global and fast moving capital markets (Marston and Straker 2001). In the US, Rao and Sivakumar attribute the exponential growth of the investor relations function in Fortune 500 companies – from 16% (84 companies) in 1984 to 56% (270 firms) in 1994 – to investor activism and the increasing number of financial analysts monitoring listed firms (Rao and Sivakumar 1999).

While Farragher et al. have not found a significant relationship between investor relations rakings and the accuracy of EPS forecasts by analysts, they did find that analyses are more consistent for companies that have a highly rated investor relations program (1994, p.404); Ryder and Regester, on the other hand, argue that its main importance is to create closer links with investors, facilitating the job of developing strategies in tune with investors’ interests (1990). The need to discursively manage shareholders is also recognised in the literature as part of the job. By analysing shareholder reports of equity mutual funds whose total returns were high in absolute terms compared to historical returns but low in relative terms compared to competing funds, Jameson shows how mixed-return reports use a non-linear structure and dramatise ideas by using contrasting narrators, creating a multivocality that draws the reader to the story. “By using several voices, the mixed-return reports invite or even force readers to take part in the story making: to assemble the details, organise them and choose among alternative interpretations” (Jameson 2000, p.16). Fundamental for her analysis is Mieke Bal’s (1997) idea of fabula, story and text. Fabula is the underlying materials of the story, including events, actors, time and place; story is the fabula presented in a particular way (i.e. sequence, duration, focus), which means a fabula can result on a myriad of stories; the text, on the other hand, is the way the story is told, the structure ‘converted into words by a narrator’, which indirectly includes what the actor chooses to highlight, select or omit.

If we go back to Golding, Davis and Froud et al., the same kind of process can be seen behind stories in a box, discursive networks and co-authored narratives about past and future performance: while the fabula cannot be changed and certain numbers, by law, have to be disclosed, there are many ways to tell an investment story and their meaning depend on the way the fabula is structured. With the exception of downright fraud, corporations, through their communication/investor relations, chose the best way to present past performance and future moves in a story that will shape expectations. Actors external to the corporation are then compelled to tell their own version of the fabula, perhaps highlighting different elements or denouncing omission or selection, which also has the potential to create/change expectations. The City, therefore, run on narratives that shape players expectations and are in constant construction.

Conclusion

This chapter intended to bring different scholarly versions about the changes of the past three decades, incorporating a more cultural account of capitalism and business representation to the view presented in chapter I. Putting them together fulfils two functions: firstly, it provides new ways of considering the changes and problems facing corporations, with the addition of ideas about culture and narratives that speak directly to this thesis; secondly, less flagrant, it shows that these views can be constructed as a spectrum of ideas that gradually shade into one another. Institutional accounts based on rational choice occupy one extreme of the field and more constructivist accounts, considering firm as unstable coalitions (Martin 2000) or institutions as incomplete and incoherent players (Crouch 2005), are borderlines to cultural economy.

Cultural economy's take on capitalism in itself as a project in constant construction, however, is deemed more useful for the purposes of this work because of the lights it casts on the intrinsically cultural nature of the economic system and of financial market interactions, with the identification of these practices as central to firm strategy from the 1990s onwards. In this version, corporate communication has become simultaneously a new scholarly discipline run by the cultural circuit of capitalism and a sought after senior position inside the giant firm's rankings. Key to the strategy is the active management of shareholders, with investor relations departments becoming a quasi-universal feature of giant firms in the past twenty years.

The management of investors though stories of promises and achievement as proposed by these scholars is an innovative framework because it explores the importance of a particular cultural practice (story telling) for business representation. At the same time, it recognises the contingency of managing information as a way of building credibility and pacifying conflicting interests, since stories are open to contestation and reacted upon. It also explicitly brings to the analysis actors who are routinely conflated as the 'market' (i.e. shareholders, analysts and financial journalists) by showing how their interests and actions shape the market itself and firm behaviour.

We are, however, left with a question about how the different views of what have changed in the past three decades (reviewed in the last chapter about political science approaches and in this chapter advocating a more cultural view) can be compared and contrasted so as to add to our understanding of business and its representation in the beginning of the 21st century. This is the task of the next chapter.

Chapter III: The cultural business representation

Introduction

The first two chapters of this thesis have surveyed the changes of landscape for business in the last three decades through two different perspectives: a political science view, which looks at how the end of a system of interlocked elites and the rise of regional/supranational governance have encouraged British corporations to resort to a 'do it yourself' approach to representation; and a cultural economy account, whose understanding of discourses and performativity as linchpins of capitalism informs a business representation framework in which stories of purpose and achievement, as well as related management moves, are used by corporations to manage shareholders' expectations.

This chapter aims to bridge these bodies of literature to make a case for the importance of culture in the analysis of business representation. The argument put forward is that the changes of the last 30 years have thrown business into hitherto uncharted waters of contestation at social, political and economic levels, triggering a response that tries to counteract this negative exposure with direct engagement with different actors. This engagement, it is claimed here, is made mainly through narratives: at macro level, trying to influence broader debates and the direction of capitalism, as acknowledged by the culturally sensitive scholarship in political science, but also increasingly as strategic tool at micro level, as pointed out by cultural economists. Far from a straightforward flexing of business' muscles, however, this argumentative exercise is complex and contingent on responses from other actors.

This claim results from a meta-analysis of the two scholarly traditions undertaken in the first part of the chapter. The exercise focuses particularly on their accounts of the relationship between agency and structure and, consequently, on their understanding of business power. Although the terms political science and cultural economy are used to define the different approaches, I clearly do not intend to analyse the whole spectrum of work in these fields, as they are a broad church whose themes and interests go far beyond the scope of this thesis. What I am primarily interested in is how some characteristic approaches have made sense of big business: in political science, the particular focus is on how the most influential and/or recent contributions are marked by particular ways of understanding the role of structures in enhancing corporate power and influencing strategies of representation; in cultural economy, attention is specifically paid to the notion that cultural interactions among financial actors, namely through narratives, are a way of overcoming power asymmetries with the help of matching performance. Broadly speaking, this chapter is about what happens when political economy accounts of business representation intersect with cultural representations of business.

A relevant point is that, despite their different approaches, these accounts overlap in a important way: they are both concerned with the understanding of structure/agency relationships, namely whether and how structural changes have affected business power and, in turn, how business has acted to reposition itself and (re)claim influence. In this particular interaction, some findings are also somewhat shared. In both cases, it is argued that the entrance of new actors and arenas has created a need to respond quickly and in a bespoke way to different challenges, a task less suitable to traditional/collective bodies of representation. While cultural economy has explicitly invoked ‘story telling’, political science alludes to the formation of alliances and the building of consensus, two activities in which some form of negotiation is clearly needed. Therefore, from different starting points and analytical perspectives, political science and cultural economy arrive at fragmented pictures of business representation and influence as an activity increasingly dependent on communication. To complicate matters further, a great part of these interactions occurs in the public eye.

The chapter starts by exploring the insights that these diverging and overlapping issues can offer to our understanding of narratives as a key tool in business representation. These themes, in turn, will form the basis for the empirical analysis conducted later in the thesis. The delineation of the ‘theoretical framework’ will be followed by an outline of the proposed methodology, with a justification of the case study as the most suitable framework to answer the research question and a discussion about the benefits and limits of the approach. A last section delineates and explains the chosen cases.

1. The cultural political economy of business representation

The puzzle that concerns this thesis, as outlined in the introduction, is one about irregularity. At its core, this work is a quest to understand why some stories are very effective in helping firms to achieve their political and economic goals, while others are not. This variety of results, on the other hand, is reflected on divergent diagnosis among scholars: while a good deal of researchers of big business seems to arrive at the conclusion that its power has remained virtually unchanged in the past decades, a growing number of scholars have been basing their work on the premise of the decline of business power *vis-à-vis* other societal actors.

The political science and cultural economy perspectives outlined in the first two chapters are an example of this. The former, in a nutshell, is a description of how business, when abruptly removed from an embedded environment in which representation was intrinsically linked to being a part of a powerful elite, has managed to retain its influence. It did so by adopting an individualistic approach to political representation in which business still crowds out other interests, but in a subtler way. The latter portrays the renewed exposure of corporations to the volatility of the financial market and to the interests of some of its key players as the reason spurring giant firms to create a specific kind of representation. The strategy, however, is subjected to regular scrutiny and challenge by external actors.

The power debate in political science has since the 1960s revolved around the existence and relevance of different ‘faces' of power: instrumental, in which one actor causes the behaviour of other actors, get them to do what they would not otherwise do (Dahl 1957); structural, which entails not only interaction but limitations on interaction, as power is caught up in institutionalized practices and therefore shaped before the actual bargaining starts (Bachrach and Baratz 1962); and discursive, pointing at the role of discourses in averting conflict by shaping the perception and preferences of others beforehand (Lukes 1974). Anthony Giddens (1979), however, argues that the transformative capacity of power is harnessed to actors' capacities to get others to do what they want by considering the capacity of others. In other words, power is relational in the sense that the realisation of outcomes depend on the agency of other actors. “The use of power in interaction can thus be understood in terms of what the facilities that participants bring to and mobilise as elements of the production of that interaction, thereby influencing its course. (…) power within social system can thus be treated as involving reproduced relations of autonomy and dependence in social interaction" (Ibidem, p.93)

This relational dimension, on the other hand, provides a distinction between 'power to' and 'power over' that is missing on the three faces of power debate (Isaac 1987) . The material causes of interaction, therefore, are not behaviour but social relations that shape behaviour. Domination and subordination, in this case, ceases to be a 'contingent regularity' to become a link between power and structure, with regularities of behaviour understood with references to structural relations of power. In these relations of power, the interests of actors play a central role because "they are the practical norms which justify and legitimate power relations" (Ibidem, p.26). In other words, power is shaped and constrained by enduring relations and the rationality about the role of different actors sustains their subordination. However, for the same reasons, power is also contingent given that social structures are not immutable. "Insofar as the exercise of power is always contingent, it is constantly negotiated in the course of everyday life. Thus not only the exercise of power, but the very existence of relations of power themselves, can become objects of contention and struggle" (Isaac 1987, p.24)

My point here is that the pursuit of verdicts on whether business power is growing or declining has been privileging the idea of 'power over' and, therefore, missing the significance of the changes in social relations that followed the changes in structures in the last three decades and their impact on power – of business and other actors. Putting it in another way, the agency of actors and their interests have altered previously accepted and legitimised power relations and, consequently, analysis of business power has to take into consideration not only the ways power is exercised but also how it is constantly negotiated. Looking at the connections and overlaps between political science and cultural economy, as well as their differences, is a useful starting point because their separate accounts cannot capture the complexity and ambiguity of actors, arenas and their interactions mentioned above. We start with an analysis of the roles of agency and structure in both sets of literature.

1.1 Structure and Agency

The paradigm shift portrayed in chapter I starts in the 1970s, with the rise of the regulatory state and the beginning of a 'global turn' of capitalism. A second wave of change, in the end of the 1980s, is understood to have followed a different, but deeply linked, structural driver: the expansion of European governance powers and the change of its operational rules. Cultural economy's account, on the other hand, is firmly rooted in the 1990s and the focus is the aftermath of these structural changes, more precisely the empowerment of equity markets as a key arena and the building of a 'shareholder value' paradigm. Both sets of literature, however, are involved in a similar exercise: tracing changes in actors' strategies back to structural shifts.

The political science perspective argues that the turn to neo-liberalism greatly weakened the elite networks through which business and political actors discreetly and efficiently interacted in Britain (Moran 2006). This, in turn, prompted giant firms to resort to a do-it-yourself approach to business representation, diminishing the importance of traditional channels of collective action (Grant 1984; Mitchell 1990; Coen and Willman 1998; Hart 2002; Lehne 2006; Boddewyn 2007; Hart 2007). Cultural economy, on the other hand, argues that the exposure to stock market demands have created huge pressure for management to perform well both in the product markets and the financial markets. This new environment has mainly exposed firms to external scrutiny and criticism, prompting publicly listed companies to try to 'manage' shareholders' expectations (Froud, Johal et al. 2006).

In both cases, there is an unambiguous attempt to individually address specific actors with the aim of avoiding their negative reactions, be it policy making decisions or investors' discontent. Moreover, the institutional response to these different challenges has taken exactly the same form: the creation of corporate departments called respectively government affairs and investor relations that usually work together to plan the strategic delivery of information to different stakeholders (Baysinger and Woodman 1982; Mitchell 1990; Marston 1996; Marston and Straker 2001; Dolphin 2004; Hart 2001). Even though the verdict about how well each of these departments has been doing the job may vary, firms' motives and responses are quite similar. Their differences are mainly related to the actors involved in the exercise. This takes us to agency.

1.2 The new entrants

Both sets of literature are concerned with the usual suspects in their disciplines: in political science, the story is about political actors, the ones who start the structural changes and the ones with whom business has to deal with for its representation in these new institutional structures. In cultural economy, financial and industrial actors take the fore. But if the main protagonists are different in each version, something that is very relevant and will be discussed further, there is a common trait: the crucial importance of new actors and the way their very entrance changed the game. The arrival of the so-called ‘civil society’ groups as dynamic players in the decision making process and the rise of institutional investors causes many of the adverse problems faced by business in its attempt to secure favourable outcomes.

In the case of cultural economy, deregulation of finance has triggered the shift in share ownership from individual households to institutional investors and it is the appearance of this actor, making demands for performance and with a preference for liquidity over long term investment, that in turn catalyses the pressure on firms for financial performance (Morin 2000; Golding 2003). In political terms, the restructuring of government bodies at national and supranational levels to involve different degrees of civil participation has meant, in practice, that the bargaining process has to some extent shifted from direct negotiation between government and firms to a much more complex exercise involving a number of less like-minded partners (Berry 1999; Skocpol 2003; Derthick 2005; Eisner 2007).

At supranational level, bodies such as the World Bank, United Nations, OECD and IMF are increasingly accepting input from the so-called ‘third-sector’. Despite a clear variation in their responses to civil society demands, actions such as the inclusion of commissioners from social movements and NGOs in the World Commission on Dams, whose job is to draw international guidelines for decision making by the World Bank (Khagram 2000); the IMF’s invitation of public reactions before new action on the matter are taken (O'Brian, Goetz et al. 2000, Ch 4); or the dismantling of the Multilateral Investment Agreement (MAI) negotiations following NGO opposition at the OECD (Walter 2001), were inconceivable achievements a couple of decades ago.

At European level, the requirement of encompassing information stressed the need for dialogue amongst conflicting actors since “the more encompassing the access goods provided by interests groups are, the more likely these interests groups can contribute to the implementation of EU legislation” (Bouwen 2002, p.371). The institutional empowerment of directorates such as the DG Environment within the EC structure also enhanced NGO input, as well as the breaking down of high politics issues into technical matters to invite broader participation and aids consensus (Mazey and Richardson 1993, p.18-19).

At national and local levels in the UK, a less direct but certainly significant change was the alliance between New Labour and four voluntary sector councils (England, Scotland, Northern Ireland and Wales) sealed in 1998, the so-called Compacts. Even though these partnerships are not legally binding, the involvement of charities and other independent organisations on the provision of services opens a door to participation in major policy initiatives such as Sure Start and Education Action and even NHS programmes in which local authorities need to consult and plan with the voluntary sectors (Morison 2000). While doubts about the rationale behind New Labour's move towards the voluntary sector (Fyfe 2005), the chances of these actors becoming "equal partners" in policy making (Lewis 2005) and the slow pace of the development of codes clarifying these partnerships (Plowden 2003) are valid criticism, few would disagree that the compacts are perhaps the first process establishing an official and sustained dialogue between government and sectors of civil society, bringing citizens to decision making that affect business.

There is, thus, an added complexity to business representation that stems from a changing distribution of power within structures with the arrival of new entrants. The structure/agency relationship is subsequently analysed from two main angles: whether the changes are or are not significant enough to damage business representation and whether agency, in form of DIY representation, has been able to maintain the legitimacy of business interests as dominant. In cultural economy, there is a clear link between the empowerment of financial actors *vis-à-vis* business actors – it is this changing balance that has sent firms into DIY management of investors in the first place, thus the gloomier picture for business.

Political science accounts, however, differ on this. On the one hand, it has been found that new actors, particularly civil society represented by NGOs, are a growing force within decision making arenas, especially supranational settings such as the Bretton Woods institutions and the European Union (Mazey and Richardson 1992; Pollack 1997; Walter 2001; Smismans 2006; Broome 2009). On the other, a significant number of authors have regarded their entrance as less significant (Grant 2000; Higgott, Underhill et al. 2000; Ledgerwood and Broadhurst 2000; Grant 2000b), concluding that large firms have learnt to navigate the maze of the new political hierarchies with its capacity to influence virtually intact (Vogel 1987; Bennet 1997; Coen 1998; Hart 2007; Hart 2001).

These divergent results seem to be dependent on the extent to which one considers the structural changes impacting power relations in the first place, and this is linked to whether the new entrants are deemed to be themselves powerful: while institutional investors can wreak havoc by selling shares and resorting to activism, for instance, some authors doubt the actual power of civil society in comparison to large corporations because of the connections between business' and states' well-being. Therefore, there seem to be a clearer weakening of managerial power in comparison to financial actors than in relation to civil society. This could be an explanation for the differences between cultural economy's and political science's conclusions. But how does one explain the differences within political science? Why are many of the political science researchers studying business representation less likely to acknowledge the increasing influence of new actors?

The main point here is that they seem to be working under the assumption that giant firms can and do behave solely taking into account their own interests, a bias somehow reinforced by the DIY turn and the general weakness of collective action. But, in reality, the success of a strategy clearly depends on the strategic position of others as well as on their power, as Giddens (1979) points out. The interactions among these different actors, particularly on policy making arenas, are a series of conflicting situations where solutions are not universally accepted and outcomes are not easily predictable precisely because other actors – actors that were not there before – will consciously act and exercise their own power. In fact, the dismissal of new entrants on the basis of their perceived power misses the point that it is exactly their new legitimacy as players that has changed the nature of the game and prompted the need for the coalitions, cooperative and bargaining exercises encouraged by arenas such as the European Union.

A further problem is the unwitting treatment of power as if it was a finite good in a zero sum situation: the gains or losses of business should be balanced by the gains or losses of other actors. These accounts tend to conclude that either business has retained its power, implying that other actors have not gained any, or that the empowering of these new actors necessarily means the disempowering of business. There is, however, a third alternative: while power is linked to structures and reproduces constraints and domination related to a specific arena, it is still very dependent on the agency of actors on every round of the game – the constant negotiation alluded by Isaac (1987). This means that power is a combination of more and less malleable aspects and, as a consequence of this fluid nature, results are more complex than the usual verdicts of powerful or powerless. A whole array of 'shades of grey' is bound to appear depending on the combination of arenas and actors.

Not coincidently, part of political science's work identifying new opportunities to private actors other than business comes generally from perspectives in which strategies such as discourses are explored (Hajer 1993; McAdam, D. et al. 1996; Khagram, Riker et al. 2002; Holzscheiter 2005; Hajer and Laws 2006; Ruzza 2006; Susskind 2006; Scharper 2007), shedding light on a mobile and resourceful agency rather than on a fixed structure. This is a similar epistemological approach to cultural economy's emphasis on narratives. For these scholars, it is not what constrains actors in a particular structure that is of interest but whether and how actors are able to overcome these structural biases and influence outcomes through some form of agency that, in turn, might trigger structural changes that enhance their influence. This takes us to the exploration of how narratives have become central to business representation.

1.3 Narratives

In the last section, it was argued that the analysis of the structure/agency relationship in business representation focuses on whether structural changes have damaged business power and whether agency, in form of DIY representation, which also includes the decision to act through collective bodies when suitable, has been able to counteract any negative effects. An argument against assumptions about the power of new actors – and therefore their relevance as opponents – and the questioning of power as an inflexible and finite resource was put forward. It is now time to analyse the turn to individual representation not as a mechanism for retrieving some lost power but as a way of securing aspects of power accessible to all players.

The departure point is the overlapping conclusion that agency has become crucial for business representation. The next step is to identify the form this agency has taken according to each version. At a first glance, political and economic representation of business seem intrinsically different: in cultural economy, it is the exercise of managing investors through stories that combine promises and numbers with the aim of smoothing expectations; in political science, it is about using material resources to influence the political process. In between these two extremes are the roles performed by experts on brand management and public relations.

The nature of the activity and its objectives are therefore dissimilar: one is a proactive and subtle exercise aiming at the creation of connections among actors while the other is a reactive exercise responding to crisis (e.g. increasing attacks on profitability through heightened taxes or regulations). There is, however, an important point: political science identifies two shifts in business representation. The first one, marking the beginning of individual representation, is indeed about a reaction to environmental changes; the second, which overlaps with the starting point of the cultural economy analysis of the 1990s, marks the turn from reactive to proactive political representation: from the *ad hoc* to a strategic approach to business representation, as Coen and Willman (1998) have phrased it.

Therefore, the 1990s was an important moment for business representation. On the one hand, legitimacy problems started to haunt the European Union, whose reaction was to change its decision making structure to respond to criticism; on the other hand there was the emergence of the so-called industrial compact in which managers accepted regular communication flows and the shareholder value target as the new rules of the game in equity markets. In the UK, the third way of New Labour established compacts with the voluntary sector. Once again we return to the key point of the last section: the new entrants and the effects of their arrival. This is important because, when the focus was on structural shifts, the impression was that there were the changes in the arenas that allowed the entry of new players. However, when the picture is about the agency of different actors in the 1990s, what one can see is that things happened simultaneously, with a new range of players becoming legitimate enough to challenge incumbent actors.

Civil society groups certainly pointed at the lack of legitimacy of the European Union as a policy making arena, a claim that in many ways was reinforced by the aggressive and growing business lobbying in Brussels – the EU was challenged for being not only undemocratic but also dominated by business interests. In the UK, even if one subscribes to the co-option motive behind the voluntary sector compacts, the very attempt to co-opt reveals the increasing importance of the sector and its criticism. Shareholders and particularly institutional investors, on the other hand, were actively pushing for more direct control of corporate decisions. In other words, all these actors were contesting the role of business in these structures, setting in motion structural changes that have the potential to alter power relations. New rules at European level and the creation of regulators like the Financial Services Authority (FSA) had the effect of institutionalising and, therefore, further legitimising the importance of these actors and their interests. This makes explaining away the new entrants as powerless even more unconvincing. It is because of their increasing influence that they are allowed to enter the official system.

Central to the agency of these actors has been the challenging of business practices. Demands for accountability were suddenly flooding corporations: about product market decisions affecting society (with the environmental impact of these decisions leading the list), lobbying activities at all levels of the political sphere, strategic business planning (how, when, where to invest) and corporate governance. After being shielded by a discreet form of representation for more than half a century, giant corporations were faced with the need to justify themselves. Making things worse, the criticism does not necessarily go in the same direction: not investing in Canadian tar sands is the answer environmental groups would like to hear from major integrated oil companies but not the right one for analysts worrying about diminishing reserves.

This is the process that Boltanski and Thévenot (1999) describe as a scene, a moment that results from actors realising that something is not working well and demonstrating discontent. The scene, on the other hand, turns into a "discussion in which criticisms, blames and grievances are exchanged". From this point onwards, both sides are under the "imperative of justification" (Ibidem, p.360) and the only way out of this impasse is to return to agreement. Attempts to do so, according to Boltanski and Thévenot, involve making references to principles of equivalence, something that is mutually understood and, therefore, susceptible to calculations and comparisons. These ideas are at the core of the main point of this thesis, further developed in the next section: stories are the vehicle through which corporations justify and negotiate their interests in public spheres.

1.4 Stories in business representation

Communication among actors is thus central to both demonstrating discontent and returning to agreement. In business representation, this is made through stories. The term is used here in the same way of Walter Fisher's (1987) narrative paradigm. For him, human communication is a storytelling process and man (*homo narrans*) is a storytelling animal at heart. Unlike authors such as Bruner (1986), who believe story and argument make two different modes of cognitive functioning irreducible to one another, Fisher reasons that argument is actually contained within narration. In this rhetorical logic, arguments are tested for coherence and fidelity: the former is about determining if a story 'holds together' and makes sense for us (credibility); the latter regards whether the story matches our beliefs and experiences (soundness). "No matter how strictly a case is argued – scientifically, philosophically, or legally – it will always be a story, an interpretation of some aspect of the world that is historically and culturally grounded and shaped by human personality"(Fisher 1987, p.49).

Therefore, his model challenges the traditional rational-world paradigm as an ontology that assumes traditional logic is the only acceptable form of discourse, excluding narratives that espouse a different set of values by placing "experts, skilled and logic as the sole progenitors of analytical knowledge" (Hanan 2008, p.4). For Fisher, reasoning is not a 'mirror of truth' but "rationality is determined by the nature of persons as narrative beings – their inherent awareness of narrative probability, what constitutes a coherent story and their constant habit of testing narrative fidelity, whether or not the stories they experience ring true with the stories they know to be true in their lives" (Fisher 1987, p.5). This idea that there are values behind reason resonate with Boltanski and Thévenot's argument that actors inhabiting different worlds, in which particular 'concepts of worth' or logic applies, will draw on their experience to construct justifications based on a 'worth' that they believe can command respect. However, because people appeal to different principles (hierarchically superior in their world) while trying to legitimise their views, conflicts are inevitable. Hence, there is need for principles of equivalence to settle the matter.

In business representation, stories are a conscious attempt to reach actors inhabiting different 'worlds' and with different rationalities and interests by clarifying and highlighting overlapping issues and interests. In this sense, expectations of investors are important to the building of a corporation 'performance' story line in the same way that expectations of civil society regarding corporate social behaviour are taken into consideration when a giant oil firm defines itself as 'beyond petroleum'. In policy making, stories connect with the goals of legislators but also with the arguments of other actors taking part in the dispute with stories that espouse different principles or values.

The mass media also plays an important role in this process of storytelling. Firstly, it was not until the establishment of a global media that civil society was able to advocate its claims to a wider audience (Berry 1999; Berry and Wilcox 2008). The connection between environmental damage in the North Pole, or giant firms' involvement in human rights issues in remote parts of Africa have only become visible after the media has taken on the task of publicising them in the early 1990s. Even after their establishment as credible storytellers, NGOs such as Greenpeace, WWF, Friends of Earth and Amnesty International routinely rely on the media to get their main points across. This makes the media an important channel through which claims and counter claims, the "criticisms, blames and grievances" alluded by Boltanski and Thévenot (1999), are exchanged. In the equity markets, the entrance of new actors and the media are also intertwined because the importance of information for the functioning of the perfect market (i.e. regular communication flows between corporations and investors) is one of the main forces propelling finance journalism. The result is the everyday public dissection of previously private issues like strategic moves, executive pay and failed targets.

This has at least two major implications: firstly, it means disputes generally occur in the public eye and, as a consequence, there is very little room for an actor to forgo a response or justification when challenged without worsening the problem. Secondly, it turns the media not only into co-authors, with particular problems and consequences examined by Froud et al. (2006) and Davis (2002) but also into an arena in itself, as media coverage has the potential to engage actors that would not be involved otherwise. In other words, media vehicles are not neutral conduits of information between sources and audiences but actors that provide an interpretation of the story and an arena that brings together a particular audience whose agency or inertia can become central to outcomes.

What can be seen here is a very clear correlation between agency of the new actors and the form the business response took: after being publicly criticised, business was forced to justify its decisions and practices through stories that address these claims, at the same time that it tries to avoid future criticism by proactively constructing stories that respond to and/or engage with actors' expectations and interests, seeking converging points. The media is directly involved in part of this process but assuming that this strategy is confined to highly mediated interactions would ignore the fact that encouraging cooperation among players and the identification of converging points of view is exactly what lies at the heart of the changes in arenas such as the European Union. Alliances, *ad hoc* or otherwise, do not exist without overlapping interests and shared justification of the reasons why a particular policy making decision should or should not be taken.

Communication is thus the basis of the bargaining process that eventually builds consensus. In repeated policy making situations, cooperation and coordination among actors is not merely an institutional requirement but a crucial step to avoid inferior outcomes. Moreover, the act of justifying interests is particularly valuable for firms because it provides a much needed legitimacy: proving the validity of a claim or demonstrating common interests that unite different actors, as Beetham (1991) argues, are useful for offsetting negative features of power relations. This is central because part of the problem that led to the entry of civil society in policy making mechanisms was business being perceived as excessively powerful *vis-à-vis* other actors. Stories are both a strategy to respond to criticism and a legitimising tool.

In sum, both cultural economy and political science accounts of how business representation has evolved in the last three decades reveal new strategies, shifting and malleable power patterns and increasingly unpredictable results. Cultural economy, while looking at the changes in capitalism itself, exposes the cultural processes underlying the functioning of markets and the importance of narratives in creating a "feedback loop" that allows capitalism to "keep a step ahead of its own contradictions", as Thrift (2005) phrased it. This reflexivity, however, is also clearly mirrored in capitalism's governance structures described and analysed by political science: these arenas have moved slowly but surely towards a series of practices in which the input of a wide range of stakeholders is sought after and the structures themselves eventually change in response to it, in a bid to keep their own relevance and legitimacy.

It is in the circle-circle intersection shared by these two scholarships – the reflexivity which, acknowledged or not, is a key part of both accounts – that the main claim of this work is constructed: this bidirectional process is to a substantial extent driven by narratives, understood here as a strategic tool deployed by actors interacting in these public spheres. Stories are, in short, cultural constructs designed to have a political and economic effect. While this is true for a variety of actors and interests, with part of the existing literature already exploring the importance of narratives for actors such as national states and NGOs, the focus on business, particularly giant corporations, is justified by its role as a core capitalist player involved in both governance arenas and financial markets.

The hybrid framework presented here, therefore, clearly recognises the importance of ideas and discourses in framing/influencing capitalism and the behaviour of its key actors but, at the same time, takes into consideration the relationship between structures and the various strategies (and their links with stories) that are chosen by different players at micro and meso levels. These ideas are in line with the so-called critical realism approach of considering structures as strategically selective, that is, favouring certain actions over others (Hay 1995; Hay 2002; McAnnula 2002) and, to some extent, relates to the morphogenetic approach of Margaret Archer (1995), in which the cultural is placed alongside structure and agency, but without conflation. It contends that capitalism, and its institutions, are engulfed in cultural practices that can be strategically used by different actors to alter these very structures to their advantage.

As documented by both sets of literature, this engagement of large firms with new external actors has been a gradual process triggered by a public criticism, often channelled by the mass media, of their practices and privileged position within Western democratic settings. Business institutional response was, in fact, the creation of departments such as government affairs and investor relations whose main job is to deliver strategic information to different stakeholders. In other words, these are the corporate solution to a relentless “imperative of justification” (Boltanski and Thévenot 1999), to the growing need to interact with competing narratives that challenge interests and practices whose legitimacy, until recently, was taken for granted by business.

This public negotiation, I argue, is made through stories that attempt to reach out to actors with different rationalities and interests, seeking an engagement able to identify and clarify overlapping issues. By acknowledging and reflecting on other actors’ expectations and demands, business stories can help corporations to project accountability and social worth often lost in advertising and traditional forms of lobbying. A desirable side effect of this negotiation process is the added legitimacy acquired by claims/demands that are seen as a result of public scrutiny and debate among different and often antagonistic interests. In a nutshell, stories help business representation by facilitating not only the achievement of immediate goals and creating the basis for future cooperation but also enhancing its legitimacy as a central actor in democratic and capitalist societies.

This is not to say that business power is reduced to business stories or that narratives can always be causally linked to outcomes. A particularly relevant issue is the fact that building successful narratives seems to be a particularly difficult art for business to master and in every round of negotiation, both in policy making and stock markets, some narratives are clearly more able than others to fulfil their primary function. This takes us to a central question of this thesis: why some business stories are effective when others come across as weak, and to what extent an actor can achieve desirable results through stories.

Answering these questions clearly requires solid empirical evidence and a methodology that takes into consideration the ontological and epistemological positions adopted here. A discussion about these three factors – how the world works, how we should study it and the best instruments for doing the job – will be conducted in the second part of the chapter, together with a description of the plans for the empirical work.

2. Methodology

This chapter has so far attempted to highlight differences and similarities between perspectives on business representation presented by political science and cultural economy by looking at their understanding of the interplay between structure and agency as portrayed in the first two chapters of this thesis. This was necessary, it was argued at the beginning, because together these two different accounts about the changes in business representation in the last three decades provide us with a more 'holistic' explanation about its present form. But highlighting, and to some extent challenging, these scholarly ideas about the relationship between structures and agency has a further purpose: it not only tries to reveal some of the implicit assumptions these authors have about the nature of the world and how we should study it – their ontological and epistemological positions – but also reveals my views about the nature of the world and how it should be studied. This, in turn, is appropriate because it has a direct impact on the research questions stemming from the literature reviews, and on the methodology chosen to address them (Hay 2006), a central issue addressed by the following sections.

Part of the recurrent criticism outlined in the first part of this chapter has been about a tendency toward a mild structuralism: business power is maintained because it is intrinsically linked to a powerful structure that works to constrain other actors. It does not, however, recognise as easily the set of opportunities that may exist within the structural settings for other actors. Cultural economy and political science writers such as 'light' constructivists or neo-Gramscians, on the other hand, point out the structural constraints that have the effect of privileging some actors over others but do not see them as necessarily 'predetermining' outcomes, hence the active stance of actors in trying, and succeeding as well as failing, to manage expectations. In other words, there seems to be an implicit recognition (i.e. an ontological position), something that is shared by this work, that structures both constrain and enable actors. The relationship is dialectical and agency is strategically focused: here, focused around narratives.

Epistemologically, this thesis is placed in between positivist and interpretivist traditions (Marsh and Furlong 2002): it agrees with the latter on the existence of real processes and the possibility of causal statements but does not contend that all social phenomena can be directly, and neutrally, observed and that general and unchangeable laws governing them can be drawn; it is influenced by the former inasmuch as it recognises the importance of ideas and discourses and the subjectivity of the observer but rejects its heavy relativism and nihilisms.

Another point of disagreement concerned the conceptualisation of power, which is again an ontological position. The framing of power in mainly structural terms is partly what reinforces constraints and diminishes the scope for agency and change. Power, it was argued, is obviously related to institutional context and, therefore, has structural characteristics, but it is not trapped within those structures. At the core of the critique is the idea that understanding power as simple and quantifiable misses its complexity and ubiquity. The very framing of power as related to agenda-setting and preference shaping – characteristics pertinent to the second and third 'faces' – suggests that non-structural issues play a role which is a direct result of agency and, even if structures can bias outcomes, there is still scope for variation.

By looking at business representation in this light, what one sees are the multiple governance and economic structures in which actors interact. These structures may be biased towards certain actors but there are also enabling features to all players. Narratives about the nature of these structures, their aims and functioning are relevant, as well as narratives used by actors to make their claims and explain demands. An increasingly important strategy seems to be the use of narratives in situations happening with or without media spotlight, something that is corroborated by the growth of in-house government affairs and investor relations departments. As the effects of a specific intervention are not, as Hay (2002, p.211) points out, merely "determined by the structure of the context at the moment at which the action occurs" but depend on a range of factors, including the action of others and unintended consequences, the line dividing success and failure in story telling is a fine one. This leads to two main questions: first, why some stories succeed and some don't and, second, whether and how agency is able to overcome structural biases.

These questions, however, are not aiming at finding a solution to structure and agency problems but, rather, trying to grasp and explain complex phenomena. As there is an ontological rejection of the positivistic idea of rational individuals with complete information leading to general laws, the outcomes of the interaction among actors and structures in this work is considered to be contingent, unpredictable and uncertain. These assumptions, in turn, are reflected directly in methodological choices: qualitative methods emphasising processes and meanings are clearly more appropriate than methods of measurement of quantities and frequency. Within the boundaries of qualitative methods, the case study, with its goal of obtaining a comprehensive understanding/explanation of particular events, can provide an appropriate framework. The next section looks at the merits and problems of qualitative case studies and outlines the empirical work.

2.1 A case for case studies

Robert Yin argues that the need for case studies arises "whenever an empirical inquiry must examine a contemporary phenomenon in its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (1981, p.98). This is more likely to happen when the questions asked about a contemporary set of phenomena are a how or why (Yin 1994, p.9). But while Yin calls the case study inquiry "an all-encompassing method", Stake (2000) argues that case studies are not in themselves a methodological choice but a choice of what is to be studied, with emphasis on what can be learned about that event. The latter is a more convincing argument and also better equipped to deal with a recurrent criticism of case studies as a research strategy: their supposed limited capacity for theory building.

This is, however, a criticism that is also very often found at the centre of the debate about quantitative versus qualitative methods, reflecting again ontological and epistemological divergences. The problem thus is not case studies *per se* but what a researcher believes can be found out there and how one can know about it. If one does not believe in-depth interviews are a 'scientific' way of building theory, it is the fact that a piece of research is built around in-depth interviews and not the fact that it is a case study that is the problem. In many ways, it is seems to reflect a bigger battle between 'natural' and 'social' sciences and their perceived merit as scientific disciplines: a medical doctor studying diabetic children and eating habits, for instance, may not hesitate in calling his/her work a case study but a social scientist doing in fact case studies may chose to call it a "fieldwork" (Simons 1980) to avoid stereotyped criticism.

The point about the difficulties of generalising from a single study, however, is more problematic and a way to respond to it may be by distinguishing between different types of case studies. Yin (1994) divides them broadly into exploratory and explanatory, with the latter more suitable for theory building and generalisation. Stake (2000, p.445-447) identifies three types of case studies: intrinsic, where the study is undertaken to achieve a better understanding of the case itself; instrumental, where a case is thought to provide insight into an issue; and multiple or collective case studies, chosen because the researcher believes that understanding them will lead to a better understanding and theorising about a still larger number of cases. While the intrinsic case may arguably fall into the exploratory category, both instrumental and multiple case studies seem to aim at explanation, theorisation and generalisation.

In this work, the motivation behind the choice of case studies is perhaps a hybrid between the perceived outcomes of the second and the third types. As the question is about why some business narratives are successful while others fail, the use of a particular episode is not about understanding what the episode is about, even though this may be important, but about understanding a particular process – the building and use of narratives – within that context. Choosing only one case, however, would not be completely satisfactory. If the ultimate aim is to understand/explain the effectiveness or lack of effectiveness of narratives, and power is understood as dependent on a combination of arenas and actors, a satisfactory degree of generalisation can only be achieved if a variety of situations and results are analysed.

Part of the differentiation between the case studies described above can be related to methodological choices, given that a case study is a research structure rather than a method and, therefore, can contain qualitative, quantitative or mixed methods. As mentioned before, the choice of qualitative methodology here is linked to its better suitability to address the research questions (1988, p.108-109). Sending a postal questionnaire or conducting a survey could help me pinpoint how many corporations have in-house departments in charge of government, media or investors relations and even whether they consider 'stories' as an important part of their strategy, but it would not help me very much to understand why stories succeeded or failed in the particular case studies or, going beyond, why they do so in general terms. For this purpose, two complementary methods were deemed appropriate: analysis of documentary sources and open-ended elite interviews.

The main source of data for this thesis is found in publicly available documents in form of government and special reports, letters, minutes of meetings, policy and legal documents, and analysts and newspaper articles. Careful research on these primary and secondary documents has a double purpose: firstly, it is crucial to establish 'facts' and provide specific details of the particular events; secondly, looking at the parts of the puzzle separately gives insight not only about stories specific actors are telling but how these stories have been incorporated into the final narrative. The scrutiny of what is being called secondary sources here – mainly the work of journalists and financial analysts – is particularly interesting and important because their interpretation of primary sources is itself part of the process of constructing stories.

Relying on publicly available sources is, foremost, a response to the practical impossibility of, single-handed, gathering/producing relevant original data to recreate complex cases of corporate representation. In this particular inquiry, the problem of unwitting evidence and the natural bias of the sources (Finnegan 1996, p.143-146) is minimized by the fact that these partial views, regarding what is stressed and omitted and the 'catering' for specific audiences, are part and parcel of the construction of particular stories and thus, should be present, acknowledged and analysed. This is also relevant in relation to the unavoidable and important issue of the absence and/or conflation of some voices. The term civil society, for instance, is frequently used but it does not relate to a representative sample of the population but to a handful of NGOs and associations who actively interact in these economic and political arenas and claim to speak for patients, the environmental conscious and animal lovers; in trade associations, the dominance of big business renders stories less nuanced and conflicted than they would be if small and medium sized firms were active co-authors. These 'facts' have to be made explicit but, when properly acknowledged, are of significance *per se*, since the very presence or absence of actors and views may contribute to the success or failure of a story.

Attempts to address some of the issues, particularly the generation of distinctive and original data and to include some of the voices absent in documentary form, are made through the use of a set of 14 interviews with actors inhabiting the arenas where corporations need to represent themselves. Because of the nature of the research questions, open ended elite interviews are more appropriate than structured questions and surveys, as the aim is to "understand complex behaviour of members of society without imposing any a priori categorization that may limit the field of inquiry" rather than "capturing precise data of a codable nature so as to explain behaviour within pre-established categories" (Fontana and Frey 2005, p.706). Unlike structured interviews, open ended approaches allow interviewees to express their ideas and beliefs more freely, minimizing the so-called procedure reflectivity.

It must be noted, however, that while interviews are a very useful way of corroborating suppositions, checking facts and acquiring important and original information – to an extent that Yin considers that interviewees may work as "informants rather than a respondent" (Yin 1994, p.84-86) – the subjectivity problem is strong here, as interviews involve personal and social interaction. This, in turn, has an impact on reliability, as the chances of other researchers being able to obtain the same results using the same methods are lower than in structured interviews (Wilson 1996, p.119).

Nevertheless, given the kind of problem being addressed in this work – why some stories are successful and others fail – asking actors involved in the construction and/or consumption of these narratives to speak freely about their perceptions and opinions is a valid approach and, by triangulating these interviews insights with document sources, a better and reliable understanding of stories as tools of representation should be achieved. Interviewees should be chosen on the basis of their direct participation in the episodes under analysis or their previous experience as part of the particular process or arena in which the dispute takes place. Interviews should, when possible, be face-to-face and recorded, but telephone interviews are also acceptable.

The next section will detail the case studies proposed for the second part of the thesis and explain the choices.

2.2 The selected cases

A set of three case studies was chosen to address the research questions: the making of the European chemical legislation called Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH); the process of approval of Roche's breast cancer drug Herceptin in Britain; and Shell's restatement of its proven oil reserves to investors and regulators. They were considered particularly suitable for two reasons: firstly, they are all contemporary phenomena, having occurred in the 2000s, with one still ongoing; secondly, they are set in different institutional structures, with a distinct mixture of interests, actors and tactics; finally, they display dissimilar outcomes. Each of these points will be briefly discussed.

Their recent time frame is of importance because, as it was argued in this chapter, the 1990s have witnessed a change in business representation towards a more reflexive and 'cultural' exercise: firstly, it was the moment of the turn from a reactive to a proactive approach; secondly, it marked the rise of an active and mediated civil society and the establishment of a 'shareholder value' ideology; thirdly, it was the moment in which different governance spaces started to gain recognition and power themselves. Therefore, cases happening before or very early in the 1990s would not have exhibited the same dynamics among actors and documented sources about interactions involving newcomers would not have been easily available. The fact that the cases are happening simultaneously (2002-2006), as well as the inclusion of an ongoing case, also allow for some comparison of modus operandi of actors or groups of actors and for analysis of the extent to which there is learning and strategic adaptation.

The chosen time frame also permits better scrutiny of new arenas, from the increasingly important supranational governance mechanism of the European Union to late 1990s creation of bodies such as the National Institute for Clinical Excellence and the FSA. Giving the central concern of this work with the interplay between actors and structures and whether and how the latter enables or constrains players, cases staged on or around these new arenas, displaying very different institutional structures, are essential for the probing possibly distinct ‘distributions’ of power and the role stories play in representing interests and, ultimately, negotiating power.

The diversity of arenas is linked to another desirable feature: a mixture of actors, interests and, therefore, stories. When different sets of actors are positioned together and ‘against’ each other, complexity reaches high levels but, while this poses problems to the researcher trying to make sense of it, it surely provides a rich picture of how actors are able (or not) to build consensus, and convincing stories to go with it. On the other hand, the effects of other actors’ moves and unintended consequences are more easily identified in cases where there are fewer protagonists. A combination of case studies involving large and small number of players would be ideal to probe whether agency can overcome structural biases and the role of stories.

A final desirable feature is the display of different results: winners, losers and inconclusive outcomes. As the interest here is to understand what make stories powerful and weak, the selection of cases in which there was a clear winner or a clear loser should provides ground for comparison and the identification of some of the ‘common traits’ of successful and unsuccessful stories that, in turn, can help in the analysis of the less clear-cut episodes.

Another way of structuring this research would be using cases that take place in the same arena – for instance, the European Union – and involve the same actors over a period of time. The advantage would arguably be a higher replication factor and a more ‘like for like’ type of comparison, that in turn could lead to a deeper understanding of why stories are strong or weak in this particular setting. The reasons this was not deemed the best approach are two. Firstly, same arena and same actors can be a deceiving supposition, as different departments of an organisation (e.g. DG Environment or Enterprise in the European Commission) have different relationships/biases regarding ‘external’ players (i.e. different structural relations of power) and even if actors, broadly defined, are the same (e.g. oil multinationals, trade unions and environmental NGOs) their policy interests vary from case to case and the opportunities for consensus or disagreement will vary accordingly. But even if the exact same actors were trying to represent themselves in the same policy area with similar requests, learning and adaptation would certainly take place, meaning subsequent episodes were not likely to be similar to the first one.

This is related to the second objection, which is the assumption of a law or logic waiting to be discovered. As argued before in this chapter, the aims of this work are not finding rules or recipes regarding story telling in business representation – something that corporate communications gurus may pitch to their clients – but trying to understand and explain the complex ways in which a successful story is built and power negotiated. This is not to say that underlying and identifiable characteristics that make stories more likely to succeed are impossible to pinpoint – at the end of the day, this quest is implicit in the research question – but that these underlying and identifiable characteristics should be common to the art of building stories in complex settings, be it the European Union, the World Trade Organisation or Whitehall. In other words, instead of the idea of 'all things being equal, there are rules', this thesis is trying to argue that 'all things being different, there are stories'. Stories are taken here as a common currency through which actors are being able to trade. Not every transaction will be the same, the value of the currency may vary from place to place and from time to time, but there are factors that make a currency to be perceived as strong or weak (e.g. inflation rates, level of taxes payable in that currency etc). Both with real currencies and stories, these 'factors' are very much dependent on subjective perceptions and shared principles.

Therefore, a multi-case research design comprising different episodes, united by a hypothesis about the importance of stories, was considered to be the best option. A second step was to define criteria regarding the business actors that should be involved in the cases. Firstly, two preferred industries were chosen: oil and pharmaceuticals. The reason for including corporations from these sectors is simple: if it is true that multinationals like the Swiss Nestle or American Nike have encountered problems to manage their image in the past years, some industries have had systematic problems with their representation. Oil and pharmaceuticals have been struggling to come clean from a series of oil spillages, human rights violations and workplace safety issues, in the case of the former, and drug prices and product safety in the case of the latter. These are directly related to two points raised before in this chapter: the entrance of an organised civil society and its mediated action.

New York-based Harris Interactive, a market research company probing the reputation of 20 different industries with consumers since 1997, has found the pharmaceutical industry to be "the most volatile of any industry" - by 2004, it had gone from a net positive rating of 60 percent in 1997 to a net negative score of 4%. In

2006, time of the selection of the cases, pharma had recovered to 25% (just to plummet again in 2008) but the oil industry was at the bottom at the list with a negative score of 36%, where it still remains. Even when the judges are more specialised, such as in the Fortune ranking of the World's Most Admired Companies voted by businesspeople, only Johnson and Johnson is included in the top 20 from 2006 to 2008, with Exxon Mobil reaching the 18th place in its best year, 2007. This contrasts with the position of oil companies in the same magazine when the ranking is about size: Exxon Mobil, Royal Dutch Shell and BP are top five.

Give their size and reputation, these corporations are not only more likely to have established strong in-house communications teams but also more likely to be involved in less friendly public relations and policy making battles in national, supranational and global arenas. The desirability of different arenas, as discussed above, has also influenced the sampling. The unequivocal importance of the European Union as a legal jurisdiction and its prioritisation of consensus building as a basis for policy making put the European Commission/Parliament in the list. The importance of national politics, however, could not be ignored, inasmuch as many of the decisions that directly impact corporations, such as legislation, macro economic management of national markets and public purchases, are still in the hands of national governments. A case study featuring national governments and the decision making processes they put in place was consequently in order. The role of the stock market under the Anglo-American financialised capitalism, coupled with Froud et al.'s evidence of story telling as a management tool, on the other hand, called for a case involving corporations and their representation for the financial market.

The institutional characteristics of each one of the arenas, in turn, would influence the number and types of actors involved in the cases, as well as their power to influence the debates. The search for the most interesting case in the supranational arena, for instance, determined the inclusion of a third sector, the chemical industry, which has not as bad a reputation as oil and pharmaceuticals but it is also a frequent target for environmental NGOs, arguably the strongest and best organised among civil society groups. REACH, for its impact on trade to and from Europe, has also attracted a number of actors from industries and governments around the globe. This is by far the most complex of the case studies due to the great number of actors interacting, the very technical nature of the legislation and its long duration, with final policy details still ongoing.

The Herceptin case, albeit played at a national stage by local actors such as the British government and its National Institute for Health and Clinical Excellence (NICE), pressure groups and other members of British civil society, indirectly involved the European Medicines Agency. It involved particular and increasingly influential members of the British voluntary sector, scientists and tabloid journalists, with very little visible interference of Roche, the Swiss giant producing the drug in question. The Shell case, a financial market crisis, is the most restricted of the cases not because there were fewer actors involved, since it attracted a variety of political actors who, in normal circumstances, are mere watchful spectators, but because the story was being constructed by a handful of actors. British investors and journalists were at the 'discursive' centre of this case.

Another selection criterion was media coverage. This is because, despite the very instrumental reason that media coverage helps the research process in itself by providing documentation, the media, as mentioned in the first part of the chapter, has been a crucial part of the mechanism of exposure of giant firms, working as an actor and arena that brings on board particular actors. The sample of case studies seem adequate on this basis because the media exposure is different in each of them, something that may allow interesting insights into its impact on outcomes: Herceptin is a highly mediated affair, with hundreds of articles in mainstream papers and tabloids; Shell also had ample coverage but mainly on financial pages; REACH, on the other hand, is virtually unknown to most part of the European population despite its impact on citizen's daily lives.

2.3 Collection, selection and analysis of data

Having discussed the methodological choices and described the case studies, this section offers further details about the process of collecting, selecting and analysing the primary and secondary data that provided evidence for this thesis.

Given the very diverse nature of the empirical work delineated above, the combination of primary and secondary documents was different in each of the case studies. REACH, as a law making process, displayed a large amount of official documentation covering the whole period in question, both from European Union institutions (Commission, Council and Parliament) and other societal interests involved in the process. Media accounts were insightful but played a smaller and more peripheral role in helping to recreate the episodes and identify actors' narratives. In contrast, Shell and Herceptin were highly mediated stories, with financial broadsheet taking the lead in the former and tabloids dominating in the latter case. Primary documents for these case studies were circumscribed to press releases disseminated by the corporations involved and reports, mainly written by external actors such as auditors, academic researchers and regulators. Triangulation among sources was aided by interviews.

The first step aimed at tracing the history of the cases in chronological order. In REACH, this process started with the download of 15 key documents created by the European Commission, Council and Parliament from 1998 to 2006, as well as 24 brief reports about stakeholders' meetings and the discussions taking place inside the Environment and Competitiveness Councils (within the Council of Europe). An electronic search using key words such as *chemical legislation* and *REACH* was conducted with the help of business information database Factiva for the whole period including financial and non-financial British media and international agencies such as Reuters and Dow Jones Newswires. Together these sources helped to clarify events and identify the most relevant stakeholders and their claims.

Once the main players were acknowledged, documents and reports produced by these actors were collected, including their direct comments on the legislation received by the Commission through an internet submission (further 10 documents, including states' position). In the case of major players, like CEFIC and the Health and Environment Alliance, every press release related to the legislation available in their website was retrieved and some led to a further search in media databases to explore particular (and usually controversial) episodes that were not captured by the previous key words. Because of the complexity of the policy making procedures at EU level and of the legislation itself, this case had the largest number of interviewees who were able to correct/add to factual descriptions and provide insider information about the tensions between different groups. A missing voice in the interview set was the animal rights movement, to which I could not obtain access in Brussels, but part of the problem was solved with the use of press releases and all the material posted on the website hosting the 'Harmful if Swallowed' campaign.

In Herceptin, the selection of the relevant material was complex, as the media coverage was extensive and hundreds of hits were obtained from the key words *Herceptin*, *NICE* and *Roche* in Factiva. This was complicated by the fact that ‘official’ sources such as NICE’s records offered minimal information about the public furore around the drug, even though some of the key dates could be found by accessing public speeches and press releases in the websites of the Department of Health and Roche. A general rule was to discard articles shorter than an A4 page and ‘follow up’ pieces that were mostly a copy and paste version of previous articles. When time line and main interlocutors were established, a search with new key words (e.g. CancerBACUP, postcode lottery, Patricia Hewitt) was conducted, allowing a better understanding of particular episodes and stories. The use or not of individual patient cases was also of interest. A similar process was followed during the research for Shell, since key words like *reserves* and *Shell* generated a very large amount of hits. Differently from Herceptin, however, all key dates were in Shell’s website and analyst reports offered a good source of factual information about the different shareholders’ meetings. Once actors such as Eric Knight and institutions like the Association of British Insurers or CalPERS were identify as central to the episode, database searches using them as key words were conducted, adding depth and detail to particular points of the process. Unlike REACH, in which interviewees had all been involved in the episode in question, Herceptin and Shell interviewees were insiders and familiar with the processes of drug appraisal and the functioning of the stock market (including a Shell former communication executive) but none was directly involved in the episodes. In an ideal scenario, a Shell employee and a member of the appraisal committee for Herceptin in NICE would also have been interviewed but problems with access and time constraints triggered a change of plans. The initial intention to interview journalists was abandoned after concerns were raised (including by the funding body) about involving the media, particularly tabloid media, in the research.

Conclusion

This chapter was designed to function as a bridge in two ways: on the one hand, it is the link between the first part of the thesis, the theoretical perspectives that inspired the research questions, and the plans for the empirical work that will inform the rest of it; on the other hand, it is an attempt to reconcile the two quite distinct approaches to business representation delineated by cultural economy and political science. Through a meta-analysis of the structure/agency relationship portrayed by these two scholarly approaches, this chapter has attempted to build a new analytical framework in which new actors and stories play an important role, questioning notions of power as an static and finite good. The proposal here is that stories bring actors and structures together because they are a crucial part of the process of negotiating power in public spheres, an exercise that leads to the legitimacy of private interests.

This argument implies ontological and epistemological positions in which power relations depend on social interactions and, even though power and social structures are linked, the latter is not immutable, leading to changes in the former. Structures both constrain and enable agency, meaning outcomes are not determined but dependent on a range of factors that rule out conventional notions of predictability and general laws. These complex, contingent and uncertain relationships are better understood by qualitative research to be conducted under the framework of multiple case studies in which business' representation through stories has been met with different degrees of success, allowing for some degree of generalisation and theory building.

The second half of the thesis is dedicated to empirical work, where the framework proposed and issues raised here will be further developed. The starting point will be the case of REACH, the European legislation.

Chapter IV: Diluting REACH: influencing governance at supranational level

Introduction

This first empirical chapter focuses on the most multifaceted of the cases examined in this thesis: the making of the new European chemical legislation, an eight-year process of deliberation stretching from the first requirements for changes in the old laws by member countries, in March 1998, up to the adoption of the new legislation by the Environment Council on the 18th of December 2006. In addition to the complexity of the subject matter, the number of actors involved espousing different and conflicting interests and the interconnected and institutionally specific policy making procedures in Brussels compose a challenging but rich ground for examining the value of stories for business representation and the characteristics that give these narratives leverage.

The importance of the law entitled Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) is unequivocal: it is directed at one of the world's largest industries in which European players hold 35% of the share of global sales; it is the first major environmental regulation happening after a string of environmental victories of the Parliament over the Council of Europe and co-decision procedures had been considerably extended to other areas; it is one of the heaviest lobbying efforts ever seen at EU level, triggering the unprecedented and probably boldest American intervention in European affairs to date; it is still hotly debated and lobbied in its current implementation phase; both anti and pro REACH sides claim partial victory. From this quick overview it is possible to see the contours of a main issue raised in chapter III: complex and fast moving social relations, with actors influenced by and influencing institutional structures.

Assessing the role of narratives and their effectiveness, therefore, calls for the identification and examination of actors and structures and the points of intersection of these axes. The main focus here will be the new entrants, recognised before as one of the reasons leading corporations to resort to different strategies for their representation – who they are, how they are organised and how much 'access' they seem to have are all relevant points. The incumbents, affected by the increasing competition for influence, are also important, particularly if one considers that players in the case of REACH include countries like the United States. The same exercise has to be done in relation to structures that, in case of the European Union, raise questions not only about how they might allow and constrain agency but also whether and how their multiple institutional as well as geographical levels may influence decisions about lobbying and outcomes. How can actors explore these particularities? To what extent possible infighting and institutional rivalry can offer opportunities to particular actors?

With these considerations in mind, we move on to issues related to interactions between actors and structures: strategies, stories, context and media coverage. Are lobbying tactics of a more traditional sort, such as time delaying, revolving doors, educational programmes for MEPs and journalists, or more recent moves such as forming *ad hoc* alliances and firm led coordination, used differently by players, with particular groups more likely to resort to them than others? Is the choice related to financial power? Or is it linked to the stage of the process? What are the synergies between these strategies and the stories that are being told? This is clearly a natural link to the stories themselves. What kinds of stories are being constructed by particular actors? To whom do they seem to be directed, what kind of justification they provide, in which moment of the process they are released and why? Both stories and strategies are also going to be examined here with relation to outcomes, including considerations about intended and unintended consequences.

The analysis of strategies and stories, on the other hand, unearths further topics that will be considered here side by side because of their close symbiosis: context and media. What is the importance of the wider political and economic context to the effectiveness of strategies and stories? In other words, how do stories and strategies take into consideration context when they are supposed to remain strong and coherent when context change? How has the UK based media portrayed the wider economic and political climate and related it to the legislation? What actors does their coverage bring on board?

The chapter will, therefore, be structured in the following way: the first section will provide a summary of REACH, chronologically ordered and with emphasis on the particularities of the European policy making processes and on the nature of the legislation. The second section refers to events described in part one but focuses on the characteristics of the main actors and structures involved in the dispute. A third and last section will consider the interlinked issues of strategy, stories, context and media. As it will be clear, this is a way of analysing a policy which is very different form the kind of analysis that might be offered by more conventional political science or policy studies.

1. The Legislation

REACH started officially in February 2001, with the release of a White Paper by the European Commission proposing how to tackle the outdated and patchy laws regulating chemicals in Europe. Discussions about the need to streamline and strengthen the rules, however, were already at the centre of a meeting of the Council of Environment Ministers in Chester (UK) back in 1998. At the Council's request, the Commission reviewed and identified weaknesses in all four directives regarding industrial chemicals. Its report highlighted the need for regulating substances on the basis of their inherent properties, proposed the reversal of the burden of proof to the industry and the creation of a strategy to assess harmful effects of existing substances (SEC (1998)1986 final). This analysis would form the basis of the White Paper.

As regulations concerning chemicals in the European Union were spread between DG Environment and DG Enterprise[9], the drafting of the White Paper became a joint task. The preliminary work involved one official stakeholder meeting in February 1999. "We had open hearings, open meetings, open seminars. No one really objected having the review. At this point we were working on how the legislation would look like", said member of DG Environment[10].

The White Paper with the first outline of REACH invoked the "overriding goal of sustainable development" and the precautionary principle (COM (2001) 0088 final, p.4), with the document calling for the registration and further information about the so-called 'existing substances'(i.e. all chemicals in the market before September 1981, more than 99% of the total volume of all substances currently commercialised). Of the 100,106 substances from which very little is known, the Commission proposed that some 30,000 produced above 1 tonne should go through more testing and at least

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[9] The handling of 'scientific' data linked to classification, packing and labelling of substances, as well as the assessments of existing and new chemicals, fell under DG Environment's responsibility in the old legislation. DG Enterprise won the right to a 50% stake in the making of REACH because of its previous role in deciding the restrictions on marketing and use of dangerous substances or preparations, as well as the handling of the supply chain.

[10] Interview 1, conducted by telephone in December 2008 with a civil servant formally involved in the drafting of the legislation and now at the European Chemicals Agency (Finland) created by REACH.

1,500 would have to be given use-specific permission. The substitution of dangerous by less dangerous substances when alternatives were available was highly recommended by the Commission. Producers, not regulators or governments, would have to test and justify the use of substances. Downstream users, as well as manufacturers and importers, would be held accountable for all aspects of the safety of their products.

An official debate to discuss the White Paper with stakeholders was called by the Commission in April 2001. Participants unanimously agreed that "sustainable development and the safe use of chemicals are, and should be, the main objectives of the new European chemicals policy" (Stakeholder's Conference Report, 2nd of April 2001). The industry and member states, however, stressed the idea of competitiveness, while the NGOs saw the protection of human health and the environment as paramount. Therefore, the authorisation process was considered unnecessary by industry representatives, who disagreed with the principle of restricting or banning substances based on their intrinsic properties, with NGOs complaining that the strategy was already catering for industry self-interest.

The next step was to send the White Paper for the consideration of the Council and European Parliament. The former adopted conclusions on the White Paper in June 2001 (2355th Council meeting), stressing the need of a clear and simpler proposal and calling for a regulatory framework to be drafted by the end of 2001. In the Parliament, the Greens won over the conservatives the position of rapporteur, and Swedish MEP Inger Schörling was nominated. In August 2001, she presented a report (A5-0356/2001 final) which, despite the Hughes procedure that allowed other Committees to have a say on the text (i.e. Legal Affairs and Internal Market; Industry, External Trade, Research and Energy), kept the strong environmental tone of its predecessor. On the 16th of October, with a full audience of professional lobbyists, chemical industry bosses and environmental representatives, more than 300 amendments were voted by the MEPs. Most of the recommendations from the report were approved to be added to the draft resolution.

The task of drafting the legislation went back to the Commission. DG Environment and DG Enterprise convened working groups involving "all sorts of stakeholders" to bring what had become a huge political controversy "back to specific technical details"[11]. In May 2002, a second stakeholder meeting took place for the launch of the Commission's impact assessment, which estimated costs of REACH to be between €1,9 billion (best scenario) to €6 billion (worst scenario). According to the assessment, the effect of the White Paper on innovation was positive to all companies. The only negative line was about the possible impact of REACH on the competitiveness of small and medium enterprises (SMEs)" (RPA 2002, p.121).

After eighteen months, the proposal package was ready for an internet consultation. Comments on the draft were allowed from May to July 2003, with some 6,400 contributions received by the two teams assigned to analyse the texts and make the appropriate changes to the draft legislation. "They (the proposals) varied an awful lot. Some were about broad concerns and others very specific, concrete. We then went back to technical discussions within the Commission about what should be changed and what shouldn't be changed to address these questions"[12]. The full REACH proposal was released on the 29th of October 2003. The new text removed intermediate chemicals used in sealed conditions and polymers from the legislation, Chemical Safety Reports were not required anymore for substances below 10 tonnes and substances of very high concern could still be marketed if "adequately controlled"(COM(2003) 644 final).

The release of the draft proposal started the so-called co-decision process, in which both the European Parliament and the Council of the European Union are given the same weight to decide on the final shape of legislation, a process that usually includes two readings. Although the proposal was adopted in October 2003 and transmitted to the Parliament and Council in the beginning of November, the process of co-decision only really started in the Autumn of 2004 because of the recess linked to Parliamentary elections. The old Parliament, however, had already allocated REACH to committees and appointed MEP Guido Sacconi as rapporteur[13]. The process at the Council was less disruptive, with first results of a high level *ad hoc* Working Party on Chemicals established in November informing Council and EU Presidency debates as early as February 2004 (Progress Report 6200/04). Following some of these recommendations, the European Commission and stakeholders signed a

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[11] Interview 2 with a senior civil servant involved throughout the policy making process (initially in DG Environment and later on in DG Enterprise), conducted in Brussels, January 2009
[12] Interview 2
[13] Interview 3 with one of the civil servants who followed the co-decision process for the DG Environment in Brussels, January 2009

Memorandum of Understanding to undertake further work concerning the impact assessment on REACH.

Sacconi’s report (2005) adding over 400 amendments to the draft was voted and approved by the Parliament’s Environment Committee (40-19 votes) and, on the 17th of November, the European Parliament completed its first reading after two and a half hours of deliberation. The legislation, simplifying the registration phase but calling for stricter authorisation control and time limits regarding toxic chemicals, was approved by clear majority (407- 155 and 41 abstentions). In a extraordinary meeting chaired by the UK Presidency on the 13th of December 2005, council ministers reached an agreement on the draft, weakening again the requirements for authorisation and making substitution non-compulsory even when alternatives existed (Bulletin EU 12-2005). A second reading in Parliament and Council and a final agreement was scheduled to happen before the end of 2006.

In June 2006, the Council formally adopted a Common Position in which 200 amendments from the European Parliament’s first reading were taken into consideration either “in full, in part or in principle” (7524//06 ADD 1). An European Commission Communication on the Common Position (COM(2006)375 final) was adopted on the 12th July 2006 and submitted to the European Parliament and Council, allowing the second reading to commence. On the 10th of October, the EP Committee on the Environment, Public Health and Food Safety voted in favour of a stricter regulation imposing further rules on corporations, reinforcing once again the substitution principle by reinstating the provision that limits authorisations to a certain number of years (COD/2003/0256). This had been removed by the Council in its Common Position. The text was then sent back to the Council for its second reading.

The trialogues (Conciliation) leading to the second reading agreements was presided over by Finland, keen to end the REACH negotiations, already in its 5th year, before passing the baton to Germany. After weeks of closed-door negotiations and allegedly strong pressure from the German government – an interviewee used the word ‘backstabbing’ to describe the behaviour of German Karl-Heinz Florenz towards rapporteur Guido Sacconi[14] – the Parliamentary delegation agreed to compromise on authorisation: some substances would get the green light even when less hazardous existed, but substitution was compulsory for a whole group of dangerous substances

[14] Interview 3

and all substances of concern will eventually have to be substituted (Final A6-0352/2006). The second reading in Parliament took place on the 13th of December, with the Council second reading approval happening on the 18th of December. REACH ((EC) No 1907/2006) entered into force on 1st June 2007 but the process continues as the Commission moves on to the process of implementing the legislation at member state level. This phase is called ‘comitology’, as the Commission has powers conferred by the Council but has to be assisted by a committee. Since 2007, the Commission is in the process of reviewing various Annexes of the legislation

2. Issues of agency and structure

The previous section provided not only information about what kind of legislation REACH is but also a sample of the complexity of the policy making process in the European Union. From this section onwards, however, this chapter will distance itself from chronological accounts and details of the law itself to focus on themes that are relevant to the interactions between actors and structures and the kinds of business representation they produce, which is a central concern in this thesis. It is inevitable that events described above will be referred to and the artificial boundaries imposed among themes will be blurred during this discussion, but raising particular points from the dense and sometimes chaotic environment in which they are embedded helps the understanding of the function of stories and offers possible explanations for their effectiveness and failure.

Before going into the discussion of these issues, however, it is necessary to identify and scrutinise the key actors, new and incumbents, and the institutional structures that form the European system, as well as their role in REACH. This will provide a link with the main themes discussed in the earlier chapters and the ingredients needed for the analysis of the main concern of the thesis: the role of narratives as a strategy of business representation. This will be extensively discussed in section 3.

2.1 Newcomers and incumbents

As mentioned in chapters I and III, the active inclusion of different voices in European policy making was triggered by two interrelated factors: increasingly loud accusations of legitimacy deficit and a lobbying overcrowd that had become unmanageable (Goehring 2002). This was followed by a Commission discussion paper focusing on measures to improve and strengthen the existing relationship with NGOs (2000), a White Paper (COM(2001) 428) linking legitimacy and civil society participation, the creation of a Civil Dialogue and the sponsoring of networks like the Social Policy Forum, a permanent framework for cooperation and integration of NGOs with European institutions (Smismans 2006, p.476). Therefore, groups that gained greater access and that had grown in importance in the last 15 years, mainly public interest non-profit, non-governmental groups, are considered here as new actors, while those who had their access to decision makers institutionalised before these changes, like business, trade unions and governments, are taken as incumbents.

The non-governmental organisations actively involved in REACH were environmental groups, arguably the most influential and professional among public interest actors at international and national levels; consumer, women and health groups, mostly represented by federations and associations; and animal rights organisations, which are particularly strong in the UK but were also represented by European coalitions. Greenpeace, WWF and Friends of Earth (FoE), pivotal for the environmental lobbying campaign, mobilised their national and European branches individually. But they were also members of the European Environmental Bureau (EEB), a federation of 142 environmental organisations, and part of the Health and Environment Alliance (HEAL), a network that brings together citizens, patients, women, health professionals and environmental groups across Europe. Other members of the coalition were Women in Europe for a Common Future and ChemSec (International Chemical Secretariat).

Consumers were represented by the BEUC (The European Consumer's Organisation) and EuroCoop, a coalition of member states' co-operatives. Animal rights were also mainly acting through federations and alliances, with national charities represented by The European Coalition to End Animal Experiments (ECEAE) and the Eurogroup for Animals. The former is chaired by the British Union for the Abolition of Vivisection, a key player with a long-lasting individual campaign throughout the legislation process. Most of the collective advocacy organisations, be it environmental, health, consumer or animal rights, receive part of their funding from the European Commission, with the Health and Environment Alliance as an example of the permanent networks that have been set up and fully funded by the Commission.

Despite their differences, NGOs were seen by policy makers in the European Commission as a coherent block working on complementary issues. “They were not necessarily monolithic but were working together to define common positions”, said a senior civil servant, while another perceived the NGOs as “united”: “They were focused on different aspects but united and shared the responsibility and the workload. Greenpeace had one specific approach, WWF another one, Friends of the Earth another one but they were compatible” [15]. The involvement of environmental organisations with the Commission started early in the process, with parts of the evidence that led to the Chester meeting in 1998 being provided by NGOs. “There was a lot of evidence mounting, the marine environment, which we were monitoring much before REACH, was already showing signs of the need of a new chemical legislation. We had a couple of people constantly following the chemicals”, explains the leader of the advocacy campaign for an environmental NGO[16]. Environmental organisations could therefore use their increased access to the DG Environment to act early, knowing what they would like the legislation to cover and how[17]. Consumer groups were working closer to DG Environment while animal rights groups have more traction in the Parliament, particularly with British MEPs like Caroline Lucas, a Green Party member. Lucas was a member of the all-party Intergroup on the Welfare and Conservation of Animals in the European Parliament, whose secretariat and expertise is provided by the Eurogroup for Animals. In total, around 20 NGOs employees were working full time on REACH in Brussels during the making of the legislation.

This contrasts with the number of people working for the incumbents. The industry lobbying alone, according to the coordinator of the REACH campaign[18], had about 150 people working full time on the legislation including technical experts, members of various companies and national associations and federations. The

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[15] Interviews 2 and 3
[16] Interview 7
[17] Interview 6 with a director of a consultancy firm specialised in bringing different stakeholders to the EU policy debate and coordinator of part of the industry campaign during co-decision
[18] Interview 5

European Chemical Industry Council (CEFIC) had four people working on it on a daily basis in Brussels: two at the European Parliament, one in liaison with the permanent representations and one in contact with the Commission. Small and medium enterprises were represented by the Eurochambres and the UEAPME – European Association of Craft, Small and Medium-sized Enterprises.

Giant corporations operated both through CEFIC and individually, with BASF, the world's leading chemical firm, as the most aggressive and multifaceted player. Between 2002 and 2003, during the work on the final draft, the German firm co-chaired the Chemical Expert Group of the Transatlantic Business Dialogue (TABD), was part of the Transatlantic Policy Network (TPN), had the top job at CEFIC with vice-chairman Eggert Voscherau and the top job at UNICE, the employers federation, with Jürgen Srube, chairman of the supervisory board of BASF. Moreover, Jürgen Hambrecht, BASF president, would in the end of 2003 add the position of chairman of the German Chemical Industry Association (VDI) to the vice-chairmanship of the German Industry Confederation (BDI). Dow and Unilever were also actively operating behind the scenes.

Part of the work of federations, associations and giant firms was to engage national states, another traditional incumbent, in the debate. In REACH, this was clearly achieved with Germany, France and United Kingdom, with top politicians speaking publicly against REACH's potential negative impact on the European industry. Outside the European Union, major allies were the United States and Japan, both involved with CEFIC to "anticipate debates that were coming later anyway"[19]. According to civil servants working on REACH, the American government offensive was "unusual at least in scope, intensity and vehemence of it". [20] Lobbying from firms was channelled through the American Chamber of Commerce (AmCham) and the American Chemistry Council (ACC)[21]. Japan surprised because of its less intrusive but still strong lobbying based on "lots and lots of questions and clarifications", while China, the up and coming player in chemicals, did "not much lobbying at all"[22].

A third group of incumbents, the trade union movement, was represented by two main groups: the European Trade Union Confederation (ETUC) and the EMCEF-European Mine, Chemical and Energy Workers Federation. A third active

[19] Interview 5
[20] Interview 2
[21] Interview 1
[22] Ibidem

organisation was the European Trade Union Institute (ETUI), a body funded by the European Union. ETUC, whose UK partner is the Trade Union Congress, worked closer to NGOs and ETUI. EMCEF, linked to United in the UK, signed a common position with CEFIC and the ECEG European Chemical Employers Group. The alignment with NGOs, however, was a gradual rather than instantaneous process: "This was something interesting during the REACH process because part of the trade unions in Brussels shifted. At the beginning, they were being very critical, worried about the health of their companies. But then they realised how much information and benefits REACH was going to bring to workers, not only in the chemical companies but also downstream users". [23]

These key actors, as discussed in chapter III, have their strategies, success and failure linked to the structures in which they operated. Therefore, any meaningful analysis of strategies and stories has to take into consideration the institutional set up. We look briefly at the European policy making environment next before getting to strategies and storytelling.

2.2 Enabling and disabling structures

The European policy making procedures have changed considerably in the past two decades, triggering a shift in the relationship between the European Parliament and the Council. The Single European Act of 1986 instituted two readings and a cooperation procedure, in which the European Parliament had to give its assent to agreements and could reject a common council position by absolute majority of its members (1986). In this arrangement, however, the Parliament was dependent on the Commission's support even when amendments were voted by the absolute majority. The signature of the Maastricht Treaty (1992) would rectify the problem by introducing a co-decision procedure in which the Parliament is able to adopt legal instruments together with the Council through direct negotiation in up to three readings. For most cases of co-decision procedure, there is not a need for unanimity in the Council but qualified majority voting. Maastricht also created a Committee of the Regions, with representatives of regional authorities, and expanded the Community reach to areas such as consumer policies.

[23] Interview 3

The Amsterdam Treaty (1997) amended Maastricht and extended the co-decision procedure to further areas of policy but reduced readings to two. In a nutshell, the process consists of a first step in which the Commission drafts the bill asked by the Council and the Parliament has a first reading, either approving it or voting amendments. If there are amendments, the proposal goes back to the Council for a first reading. If Council accepts EP amendments as they are, the text is adopted; if not, a Common Position is adopted by the Council. The Common Position is then examined by the Parliament, which can approve it as it is or vote new amendments in second reading. If the Council does not approve Parliament amendments to the Common Position, the process turns to Conciliation. Conciliation entails direct negotiations between Parliament and Council aiming at a common text. When the chemical legislation started to be drafted, therefore, the co-decision procedure had just been simplified to two readings and Parliament and Council were theoretically on equal footing regarding legislative power. Since December 2009, with the homologation of the Lisbon Treaty (2007), the Parliament and the Council are involved in co-decision for most types of legislation, including sensitive issues such as the budget and agriculture procedures. While this does not affect the case examined here, it gives a sense of the constantly evolving nature of institutional procedures.

Environment protection was not originally included in the Treaties and only appeared officially in the Single European Act as an active legislative area. In practice, however, it has been a traditional concern for European policy makers. By 1987, around 200 pieces of legislation had been introduced based on articles of the Treaty of Rome allowing policy making in areas that affect the common market or are necessary to attain common goals (Focus 2007). The impact of these laws on nation states is substantial: in 1994, John Gummer, British Minister for the Environment, calculated that 80% of the UK environmental legislation were originated in Brussels and Strasbourg rather than domestically (Lowe and Ward 1998, p.25).

Part of this drive towards green legislation is connected to the establishment of institutional presence by NGOs in Brussels. Greenpeace, WWF and Friends of Earth arrived as pioneers in the end of 1980s, while more specialised lobbyists such as Climate Action Network and BirdLife International opened offices in the early 1990s (Long 1998). Part is linked to changes initiated by the Commission. A request from DG XI for environmental groups to become more organised to facilitate the exchange of information led to the creation of the Gang of Four (EEB, WWF, Greenpeace and

FoE), which has become the G10[24]. Consultation arrangements between the group and DG Environment were extended and formalised throughout the 1990s, with at least two annual meetings being held with the Director General or Commissioner and one with the president of the Commission. NGOs became more involved in different advisory and working groups within DG Environment but also gradually in Trade, Agriculture and Fisheries, Development and Social and Economic Affairs (Long and Lorinczi 2009).

Following Maastricht, when a significant amount of policy areas were still not eligible for co-decision, the Environment Committee in Parliament was involved in 80% of all the conciliations that ever took place, with the remaining 20% divided between Social Affairs and Energy Committees (Wurzel 1999, p.7). Leading the Committee until 1999 was British MEP Ken Collins, credited with Parliamentary victories such as the push for a much stricter AutoOil package in 1998 (Friedrich, Tappe et al. 2000) and considered fundamental for the high political profile achieved by the group in the 1990s.

When the United Kingdom took over the Presidency in January 1998, the AutoOil agreement was in its final conciliation phase. Prime Minister Tony Blair and Foreign Secretary Robin Cook expressed a firm ambition of bringing "environmental considerations into the centre of the EU's decision-making process, not keeping them as an afterthought" (BBC News, 7th January 1998). The green agenda included climate change, following the momentum of the Kyoto Protocol in 1997, as well as genetically modified organisms (GMOs) and chemicals. The Amsterdam Treaty, signed in 1997, provided further tools: articles 174 to 176 of the European Community Treaty established the precautionary principle and preventive action as basis for environmental action and, among the tasks of the Community listed in Article 2, is "a high level of protection and improvement of the quality of the environment". This legal basis was a key demands made by the G4 in its first common paper in 1990.

When REACH started to be drafted, therefore, the co-decision had been expanded and the Parliament had just achieved a substantial green victory over the Council in the Auto Oil package. Environment protection had become part of the

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[24] Besides the groups cited before, the G10 includes BirdLife International, CEE Bankwatch, Climate Action Network Europe, Health and Environment Alliance, European Federation for Transport and Environment, and International Friends of Nature

Treaty and NGOs had established a status of close collaborators inside the Commission, not only in DG Environment but also in other areas such as trade. Ken Collins stepped down from the European Parliament and the Environment Committee in 1999, leaving behind a strong Environment and Consumer Protection Committee. Moreover, the British presidency aims facilitated the job of Michael Meacher, UK Minister of Environment, in calling the Chester meeting that would kick start the review of the chemical legislation (Lind 2004).

Changes in the balance of decision making power and political agenda show some of the evolving characteristics that allow or constrain agency. At this particular point in time, access and agenda setting favoured NGOs: environment issues were a priority, with the Commission working closely with environmental groups. While the Council had not been traditionally an ally of the greens, something that would become clear during the late stages of the power struggle between Council and Parliament, the combination of British top politicians was fortuitous. Here, the use of multilevel resources was crucial. Meacher, considered an ally to environmental causes in the UK, home to the two most active organisations involved in REACH (WWF and FoE), joined forces with Scandinavian ministers, backed up by their own regional NGOs that are part of the European network, to push the review. The momentum was kept with the choice of Swedish politician Margot Wallström as Environment Commissioner in 1999.

Thus, the first phase of the process, the drafting of the White Paper, despite DG Enterprise's participation, was subjected to strong NGO influence. While corporations and chemical industry collective bodies were officially involved in the formal discussions, the release of the first draft was confessedly the first moment they realised the extent of the challenge ahead. "We knew that something was being prepared. We had conferences here in Brussels with the Commission, member states, industries, NGOs. Our understanding was that it had to be something that was flexible enough, not too difficult or too expensive and that was our idea at the beginning. When we saw the White Paper, it was really demanding a lot"[25], said the coordinator of the industry lobbying.

In co-decision, more problems and opportunities for access and multilevel institutional coordination appeared, with Parliament and Council seen as much more

[25] Interview 5

resource intensive lobbying areas (Long and Lorinczi 2009) and, therefore, favouring financially and/or politically powerful groups. According to a NGO campaign coordinator, direct access to the Council is virtually blocked for non-governmental groups: “In some points we did not have a chance. The industry is much more able to book meetings with senior officials and ministers at the Council while us, as NGOs, get to meet them once a year and for a short period”[26]. Both newcomers and European incumbents went the national route to government representatives, with the industry having a full time lobbyist responsible for countries permanent representation in Brussels. International players, particularly important trade partners like the United States, had clearly more access to the Council than to the Parliament.

With 785 MEPs, the European Parliament also required an intensive approach, which is one of the reasons the industry had its top lobbyist stationary there during the whole process of co-decision. NGOs had good access and working relationship with the Environment Committee, to which the rapporteur was linked, but three committees had joint responsibility to propose amendments. The discussion was polarised between the Greens and Socialists, who wanted a stronger REACH supported by the majority of the Liberals, and the Christian Democrats and part of the Liberals in favour of less regulation. For the greens, the major problem in Parliament was the division between environmental and animal rights supporters. “The greens were almost a block in the second reading. But the remaining animal rights faction, particularly with the UK bias, broke this. From our point of view (DG Environment), the animal welfare line did harm the legislation”[27].

The first part of this chapter described and discussed actors and structures involved in REACH, providing an overall picture of a highly complex episode of policy making and lobbying, a snapshot of these interactions at work. From this portrait, it is clear that structures can work in favour or against different players at different stages of the process, therefore impacting outcomes. It is also clear that actors take into consideration these enabling or disabling features when planning their moves. The second half of the chapter will focus on the strategies developed by different players throughout the process, bringing to the analysis the stories of business representation that are the central concern of this thesis.

[26] Interview 7
[27] Ibidem

3. Strategies and stories in REACH

The different strategies used in every stage of the process by all players would be clearly impossible to analyse here. There were, however, a few moves that seemed to have substantially impacted, intentionally or unintentionally, the course of events. Actors are going to be roughly divided as pro-REACH, meaning consumers, women and environment NGOs, and anti-REACH, referring to the industry and governments that took an active stance to water down the legislation: United States, UK, Germany and France. This is not simply to facilitate the reading but reflects the fact that the strategies of these groups were either overlapping or complementary. Animal rights organisations and trade unions, on the other hand, have been more ambiguous in their approach and therefore will appear on their own when relevant.

The NGOs' general strategy, as an interviewee summarised it, was to "play the long game"[28]. The first step, as it became clear in the previous sections, was to arrive early and set the agenda for a new chemical legislation. As well as a story about what was wrong with the old legal requirements, the pro-REACH groups had also planned what the new legislation should cover and how, helping to shape the White Paper according to their own justifications. Besides, their previous knowledge of the effects of chemicals in the environment, a result of their constant monitoring of the problem in different national contexts, made these organisations a valuable source of expertise that the industry could not provide.

The success of this tactic is a result of intensive cooperation among NGOs through formal and informal alliances. Part of the work was based on international coalitions involving environmental groups working in Northern Europe, Scandinavia and Brussels. Acting as a block, such as the G10, was not only helpful for the delivery of a coherent set of arguments and demands but also contributed to the building of wider information channels: knowing in advance that a major environmental legislation was being prepared, the greens inside the Environment, Public Health and Consumer Policy saved points allocated to political groups according to their size, abstaining from becoming responsible for less important issues to 'buy' the rapporteur position for the first Parliamentary Resolution on REACH, snatching it from the

[28] Interview 6

conservatives. Swedish MEP Inger Schörling was nominated (Lind 2004, p.109) and the draft left the Parliament with strong environmental overtones.

The link to member states was kept by the local branches of NGOs building their own cultural/nationality specific alliances because "while in the Nordic countries and Germany these were established concerns, in Spain, Italy, Portugal and some Eastern European countries it was a novelty "[29]. In the UK, for instance, WWF and FoE have signed agreements with the Women's Institute and Coop Bank. Brussels branches, on the other hand, concentrated on cross-organisational links. The formerly G4 launched the 'Chemical Reaction', a single issue organisation created around REACH, and ties between Swedish and British based NGOs were straightened with the creation of ChemSec. ChemTrust, a research charity created in 2007 based in the UK to study the impact of toxic chemicals in the environment and wild life, is another offspring of REACH and is funded by WWF-UK, Greenpeace Environmental Trust (GET) and other charitable trusts.

The second major strategy for the pro-REACH alliance was the Detox Campaign, led by the WWF from 2003 onwards. The aim was to come in contact with MEPs and catch the attention of the media. "On one hand we needed to get the MEPs interested in the matter, on the other, to rebut industry claims that were hugely exaggerated"[30]. The way to achieve it was to organise events involving both actors, namely the bio-monitoring of the blood of ministers and members of parliaments to show the presence of chemicals that should not be there. In 2003 and 2004, 40 members of the European Parliament, 14 ministers and more than 300 volunteers including celebrities, journalists and scientists across Europe were tested (Detox, 2007). This involved intensive work from the national offices, with WWF UK responsible for 150 volunteers, including people like John Vidal, The Guardian's environment editor.

The events were accompanied by activities such as 'vampires' in Brussels announcing the blood test results, families travelling to meet MEPs, pregnant women showing up at the German Parliament or valentine's cards with information about musk in perfumes being handed to passers by in February. Actions of this kind, however, were limited to key moments of the legislation for financial reasons. "That

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[29] Interview 4, conducted in Brussels with a NGO senior European Policy executive in Brussels, January 2009

[30] Interview 7

is not something that NGOs can keep up with. WWF was spending a million of Euros a year for that work, which is not that much when you think of staff costs and the rest of it but it is a lot for a campaign. The answer for the question why we haven't seen more of that is that we have not got the resources"[31].

The animal rights group BUAV also released a campaign, Harmful if Swallowed, "the most intense lobbying the institution has ever undertaken" according to website (http://www.buav.org/campaigns/reach/campaignhistory). The strategy, coordinated by the European Coalition to End Animal Experiments, was to get Parliamentary support to reduce the number of animal tests required by REACH and ignite a debate about alternative tests. The latter was set in motion by a position paper (ECEAE 2001) and culminated in the EFAA, The European Partnership for Alternative Approaches to Animal Testing. This joint project between the Commission and corporations was set up to facilitate knowledge transfer and accelerate the development of new research and methods.

The link between the animal rights groups and the industry was part of the industry plan to bring dissonant views to the debate. This was intensified during co-decision, when it also involved bringing institutional, pro-industry actors to the table: "This was quite deliberately done by CEFIC and it worked in some Council discussions to a greater extent than it did in Parliament" [32], explains a consultant working for the industry lobby. Like the environment NGOs, the anti REACH strategy relied strongly on networking and alliances, particularly among big players, with established partnerships such as the one between European and American industries and new coalitions playing a role. The Downstream Users of Chemical Co-ordination Group (DUCC), established with the help of CEFIC as a platform for associations whose members use chemicals to formulate preparations as finished products for end users, went from an *ad hoc* association to a permanent network. "It was not an easy coalition. They did not always agree on things that CEFIC would have wanted but they activated trade unions and workers involved in the industry"[33]. DUCC also brought together giant corporations who generally do not collaborate, such as Unilever and Procter and Gamble[34].

[31] Interview 4
[32] Interview 6
[33] Interview 6
[34] Ibidem

Engaging national states was also central to the lobbying campaign because, with their support, the division of labour would work roughly as follows: industry federations, associations and firms concentrated on national and supranational governance bodies while governments targeted EU institutions, particularly the Council, as insiders. An extensive lobbying campaign involving national and supranational partners and activities aimed at all institutional players, however, was only delineated and set in motion after the release of the White Paper. Before that, the industry kept insisting on a self-regulatory solution by increasing donations to the Long Range Research Initiative[35] and other voluntary schemes, which did not bear fruits.

In Brussels, the Parliament was offered 'educational programmes' consisting of visits from university professors, brochures, presentations and discussions "to get the MEPs to understand what the chemical industry means, what happens in the chemical factory"[36]. CEFIC was also responsible for contacting the permanent representatives. At the same time, the Commission drafting its final version of the legislation was heavily targeted by the United States: "they were there all the time, I was approached by the US Embassy in my country, and everybody was sent Colin Powell's line of argument"[37]. The Secretary of State's line of argument, drafted in partnership with Dow Chemicals and industry bodies, was also sent by fax to all American embassies in the EU zone to have the message transmitted to the pertinent authorities (Waxman 2004). Greece and Italy, holding the EU presidency during 2003, and Germany, with a strong industry but also a strong popular support for environmental causes, were of particular interest.

In member states where the chemical industry is important, federations and companies contacted national governance bodies (in the UK, the House of Lords and Royal Commission on Environmental Pollution held hearings on REACH) and took MEPs to visit chemical factories. During this period, a controversial discussion about impact assessments started, with the industry refuting the joint report by DG Enterprise and DG Environment regarding the costs of the legislation. The British government started the trend even before the White Paper, doubting the feasibility of

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[35]The LRI is a voluntary programme financed by chemical industries in the USA, EU and Japan whose mission is to "identify and fill gaps in our understanding of the hazards posed by chemicals and to improve the methods available for assessing the associated risks" See http://www.cefic-lri.org/

[36] Interview 5

[37] Interview 1

completing tests within the proposed time frame, predicting significant delays, costs three times higher than anticipated by the Commission and the death of more than 12 million animals (IEH 2001). A series of commissioned assessments were released by national industry federations predicting catastrophic effects on corporations' bottom line and job losses. The French and German (Little 2002; Mercer 2003) reports became the most known and cited by the media.

Other components of the industry lobbying were classic time delay and the so-called revolving doors. During the internet consultation, extended from five to eight weeks after intensive pressure from the industry, the anti REACH lobby flooded the Commission with comments on the draft[38]. The delay was of interest for at least three reasons: first, parliament was about to have elections and the looming enlargement would bring ten new countries from Easter and Central Europe with weaker economic performances and established chemical industries; second, these industrial groups were full or associate members of CEFIC since 1992; third, green discourse and institutional arrangements are weaker in these countries[39].

REACH had also a couple of high profile cases of revolving doors. The first was the case of a "BASF employee working on writing REACH at the same time he was still earning his salary from BASF"[40]. The second was Jean-Paul Mingasson, Director-General DG Enterprise during an essential part of REACH (2002- 2004), who left in 2004 to work as General Adviser to Business Europe (former UNICE). In the UK, Chemical Industry Association director Elisabeth Surkovic was 'loaned' to the government to help formulating the UK position on REACH (DiGangi 2003, p.8) and, in 2003, appeared in official documents as a DEFRA representative.

Most of these tactics, however, are connected and in some cases dependent on discourses and stories. This is particularly relevant for this thesis because strategies that require more elaborated story telling are not traditional lobbying practices such as revolving doors, time delay or expensive day trips to educate politicians, some of the

[38] Of the 6,400 contributions received, the industry was responsible for two thirds of all the submissions when duplicates are removed from the sample, while NGOs and Trade Unions amount to 6%, with Germany alone responsible for 2079 and the UK, in second place, with 372 In (Persson 2007)

[39] Greens secured 34 seats in the Sixth Parliamentary term, and none of them from the new member states while Christian Democrats and European Democrats added 65 MEPs.
http://www.europarl.europa.eu/members/expert/groupAndCountry.do;jsessionid=5F9A0F68FC7E3F9F50874111C86DBDF3.node2?language=EN

[40] Interview7 Ralf Burgstahler left BASF EU Governmental Affairs management to work on REACH for DG Enterprise in September 2001. In 2004, he moved on to join the German Ministry for Economic Affairs. In (Toxic Lobby, 2006)

important tools of the industry kit, but the ones that depend of engagement with actors who are not necessarily natural allies, such as new coalitions or parliamentary factions. This reinforces the argument that taking narratives into consideration is crucial for understanding business representation. The next section considers the stories in REACH.

3.2 Narratives, the media, and the importance of context

Both the so-called pro and anti REACH lobbying had a central story about the chemical legislation that was kept throughout the process and developed in different ways depending on the stage of the policy. In other words, the basic argument (the fabula) was kept but some aspects became more or less prominent according to the audience and timing of the intervention. The pro-REACH lobbying key story was about why Europe needed a new regulation and what it should look like. The anti-REACH, on the other hand, disputed the claim of lack of knowledge and argued that the costs of the legislation were not proportional to its benefits.

Because of the early involvement of NGOs in the process, the pro-REACH main story is tightly entangled with the Commission's own narrative. The central point was that the patchwork of rules for the production and use of chemicals in Europe was not enough for protecting human health and the environment, with more information provided by the industry needed. Thus, an efficient chemical legislation should be based on the precautionary principle, reverse the burden of proof to the industry, provide consumers and workers with information and hold an authorisation process for substances of high concern, leading to the substitution of the most hazardous products (WWF, FoE and Greenpeace, 2001). This is not far from the Council's own calls for a new legislation based "on the precautionary principle, the goals of sustainable development and the environmental safety and the efficient functioning of the internal market", with collection of data, substitution of dangerous by less dangerous substances and sharing of data as desirable features (Council Conclusions, 1999).

It is important to remember that, as mentioned before in the chapter, green policy making was given a double boost in the early 1990s with the recognition of the political dimension of the environmental problem and prescribed a capitalism friendly approach based on sustainable development. Institutionally, the Single Act and

Maastricht unequivocally made the environment a policy goal and strengthened the Parliament (McCormick 2001, p.60). While REACH was being drafted, in 2000, MEPs backed several proposals ‘against’ the industry, such as the introduction of a ban on the sales of cosmetics tested on animals, the tightening of laws on genetically modified products, as well as approving the End of Life Vehicles, making car manufacturers responsible for re-use and recycle of automobiles in Europe. In 2001, the Commission officially adopted the precautionary principle (COM (2000)1). Thus, key words related to environmental protection – precautionary principle, insufficient evidence, knowledge gap, high concern substances – are central to both the Commission and the pro-REACH stories, in line with the broader objectives of the EU for the environment in this particular moment in time.

From this idea, other narratives were developed. In 2002 and 2003, when the battle of impact assessments around costs was ongoing, the green narrative was about the benefits of the legislation. The story was that costs for implementation were not as high as estimated by the industry (ChemSec, 2004). Supported by a report commissioned to independent British academics, the story contended that savings of over £180 billion could be achieved by 2020 after implementation costs were deduced (Pearce and Koundouri 2003). Another component of the narrative was that the industry’s assessments were not pricing in the benefits to competitiveness coming from innovation and new markets (Korzinek, Warhurst et al. 2003). This story was complementary to ETUC’s narrative about the health benefits of REACH for industry workers: a commissioned report from the University of Sheffield predicted a steep decline on respiratory and skin diseases from exposure to dangerous chemicals linked to measures such as duty of care, authorisation and substitution of hazard chemicals (Pickvance, Karnon et al. 2005).

Despite the potentially persuasive argument, narratives about the financial benefits of REACH had less traction with the media than the ones about costs. This could be partially linked to the structure of the media in itself, as the leader of the advocacy campaign for an environmental NGO put it: “The media usually reports on individual companies routinely, even if only every couple of months. NGOs have to be real big news to get space”[41]. Another, and also relevant factor, is the connection with the types of stories that the media vehicles were telling themselves, namely that

[41] Interview 7

the high economic performance of the previous decade was not about to be repeated in Europe. During the final stages of the second draft, reports were about Germany struggling to deal with unemployment figures at a four year high, France cutting taxes to solve its problems, Greece and Italy fighting a galloping public sector budget deficit and the UK facing the true extent of the household debt that had fuelled the economy in the 1990s (WSJE, 9th of January 2003; FT, 10th of January 2003). Moreover, after eighteen months of lethargic economic performance, the European Commission's report for the Spring Summit was about missed targets (i.e. Lisbon Agenda) (FT, 13th of January 2003)

Better media coverage, however, was obtained by a third green story, developed from 2003 to the co-decision procedure. Once again the narrative is a development of the previous two stories, but with a stronger focus on the pervasive nature of untested chemicals that are found in places they were never intended to be and the lack of knowledge from the industry about what happens next. The story was set in motion with the testing of MEPs and environment Ministers' blood samples in 2003 and was extended with the testing of three generations of 13 European families, totalling 350 people. Results of the series were released in 2004 (Chemical Check-Up) and 2005 (Generations X), just before the first reading in Parliament. These revealed the presence of more than 70 hazardous chemicals in human blood, challenging the knowledge claims upon which voluntary schemes such as Responsible Care are based. "In some countries, it fleetingly caught the public imagination. In Brussels, we completely stole the agenda because, even when we were accused of being scaremongers, we could say that we were not scaremongering but doing something that a responsible industry should have done but failed to[42]. The industry admitted the story was "very, very clever" [43] and, "in the small world of Brussels, the only show in town for much of 2005"[44]. This response from the media, particularly in Brussels, was considered very important during the stages in the parliament[45].

But even during the debate about costs, NGOs were able to place their own stories in European newspapers. Outlets like the Guardian and BBC produced business coverage quite critical of the watering down of the project by industry interests (The Guardian, 5th of November 2003) and opened space for pro-REACH

[42] Interview 4
[43] Interview 5
[44] Interview 6
[45] Interview 7

initiatives such as blood testing in Wales (BBC News, 26th ofJune 2003) and Scotland (BBC, 30th of June 2003), as well as their results (The Guardian, 23th of October 2003; The Observer, 24h of October 2004). Scientific findings linked to WWF and Greenpeace research were also published (The Guardian, 29th of April 2003).

Part of the criticism to REACH via mainstream media in the UK, however, did not come from the industry but from animal rights groups, supported by the House of Lords. The latter sent angry reports to the European Commission regarding the use of animals in the legislation framework (BBC News, 12th of March 2002). This happened about the same time that the Coalition to End Animal Experiments, which was in agreement with most of the pro-REACH claims, gained prominence in the debate. Their main contention was with the extent to which information is really unknown and with the rationale behind the calls for further tests. The story, outlined in an early position paper, claimed that any knowledge gap about existing chemicals could only be calculated after data was shared by the industry. Moreover, considering that a significant part of toxicity tests using animals is unreliable, requiring more tests is not only morally unjustifiable but part of the problem, not the solution (ECEAE 2001). The coalition's narrative placed, therefore, strong emphasis on alternative testing but supported the phasing out persistent, bio-accumulative or hazardous chemicals as proposed in the substitution principle (ECEAE 2001).

The general no-test line of the animal rights story, on the other hand, was incorporated to one of the anti-REACH lobbying narratives, reviving a very unsuccessful early story about voluntary schemes and self-regulation as an effective information gathering mechanism. The revamped version of the industry voluntarism, which reached its peak during the setting up of the European Partnership for Alternative Approaches to Animal Testing, in 2005, was also a positive note on a lobbying campaign that was mainly driven by stories about the harmful nature of the legislation for the industry bottom line. From the release of the White Paper, the anti-REACH narrative was an argument against a proposal leading to a "costly, burdensome, bureaucratic and, therefore, less effective system" that would "give the wrong signals to the business community. This would make Europe less attractive for new investments" and "could rapidly affect the success of small and medium sized companies, and even jeopardise the competitiveness of other industry sectors that depend on the chemical industry"(CEFIC, October 2001). The solution proposed was the exclusion of chemicals from testing and the removal of authorisation and substitution procedures.

With opinion polls showing that animal welfare was (and still is) one of the top concerns of Europeans (FT, 6th of April 2000) – politically reflected in the swift response from the House of Lords – the portrait of REACH as promoting animal tests harmed the environmental NGOs by providing the media with 'NGO's split over regulation' headlines and making the relationship with pro-animal parliamentarians such as Gunter Verheugen or Caroline Lucas more difficult in co-decision. "But I honestly do not think the animal rights campaigners were that happy with the industry pretending they were good friends because we could easily agree in many things and they were, like us, fighting the industry in many aspects"[46].

Stories about costs were particularly used during the Commission's second draft, with constant reference to impact assessments showing the negative effect of the legislation on corporations across Europe. Studies such as Arthur D. Little's report, widely criticised by leading German Institutes for its methodological flaws (2003), provided lobbyists with numbers such as 2 million of jobs losses and 20% of decrease in production in the worst case scenario (Arthur D.Little 2002, p.9). The industry numbers were vehemently questioned but attracted public support from groups such as the European Mine, Chemical and Energy Workers' Federation (EMCEF) and UNICE for the first time. Simultaneously, the merger between the Internal Market, Industry and Research into a Competitiveness Council, "a response to the perceived need for a more coherent and better coordinated handling of these matters related to the European Union's competitiveness"[47], provided new story telling possibilities. Its remit was to probe "whether the balance between the three pillars of sustainable development is maintained, in particular in terms of ensuring the competitiveness of European enterprises" (MEMO/02/269).

Two connected stories were subsequently created. Part of the narrative, summarised by UNICE in its internet comments to the Commission, was the connection between REACH and a damage to the competitiveness of the industry. "The risks of production shutdowns, limitation in the choice of chemical products available or relocation will have serious consequences for European industry. Moreover, this climate of uncertainty could hold back investments in the EU or divert

[46] Interview 7
[47] In http://consilium.europa.eu/cms3_fo/showPage.asp?id=412&lang=en

these investments to regions outside the EU which offer better potential for competitiveness"(UNICE, 2003). Another line of argument was the emphasis on a perceived imbalance regarding the goals of 'sustainable development'. According to CEFIC, "the philosophy behind the new chemicals policy still appears to be too one-sided in concentrating on environmental and health protection, even though we have already achieved extremely high standards in these areas in Europe. The draft regulation can therefore achieve only marginal environmental improvements at a very high price: If growth and employment play a secondary role, then they are the price to be paid" (CEFIC press release, 6th of May 2003)

With the economic downturn and failure of the Commission to reach its own targets, these concerns gained support. Declarations such as Mike Gregory's, chief Executive at the Mechanical and Metal Trades Confederation, that "this sort of regulation will simply put more manufacturing companies out of business and thus affect the wealth-generating future of the UK" (FT, 16th of July 2003); or Degussa AG's chairman Utz-Hellmuth Felcht claims that the legislation would "significantly weaken the company and the German economy"(Dow Jones Newswires, 21st of September 2003), became politically difficult for the Commission to ignore. American claims that REACH would "disrupt world markets and violate international trade agreements" added to the pressure (AmCham, 2003). The defining moment, however, was the written intervention of the British, French and German governments. In their two letters to the Commission, Blair, Chirac and Schröder explicitly warned about the risk of using the industry "as a laboratory for regulatory experiments which increase costs or burdens on employers" (5th of February 2003) and asked for the Competitiveness Council to be given a major role in REACH and any new Community project (20th of September 2003)

"There was a lot of excitement when people were saying that GDP was going to fall by 6% because of REACH. It was obviously nonsense, but how do you draw the heat out of it, how do you let the institutional process of making the law carry on and feed some sensible numbers into it?", asks a senior civil servant working on REACH[48]. For an NGO senior coordinator, the internet consultation was a direct attempt to do so: "The decision to hold an internet consultation in the middle of it was Margot Wallström salvaging the legislation. Maybe we would not have REACH at all.

[48] Interview 2

It was about taking the heat out of it"[49]. Another way was to compromise on another story line incorporated by the industry: the impact of REACH on SMEs, the only weak link of the legislation recognized by the Commission's own impact assessment because of possible product withdrawals or reduced R&D (COM(2003)644 final). The possible negative effect of REACH on SMEs was also a concern for unions, but CEFIC as a storyteller did not convince insiders in DG Environment: "We've asked CEFIC how many SMEs they represented and how many of those were manufacturers of substances but never got the figures"[50]

A fifth narrative was developed for co-decision linked to initial claims about the existence of programmes informing the industry and to the 'scientific' basis of the legislation, which in turn is also linked to narratives about tests. In this story, REACH is unworkable in its proposed form and part of the problem is the insistence of the Commission in using intrinsic substances and risk instead of hazard and exposure, a more realistic measure (CEFIC 2003). This is also reflected on the disproportionate number of animal testing required. "Workability is a bit boring but it was something that all sides really wanted to get right and, therefore, there were arguments that could be played out: in principle, you will get a better environmental result if the system is workable. It does not mean that all agreed with it but it worked better in the Parliament because the greens could relate to it to some extent"[51], said the interviewee in charge of the construction of the narrative. For the industry lobbying coordinator, the workability was undoubtedly their "winning story", as it was also linked to the SMEs, trade unions narratives. However, while SMEs were certainly asking for 'workability', part of it in their version was to make data sharing mandatory (UEPME 2005), an issue CEFIC and large firms were fiercely lobbying against.

There are, therefore, important links between different stories and the broader economic, political and, ultimately, institutional context. In the first phase of the legislation, environmental issues were at the top of the political agenda, supported by public opinion and a strong economic performance. The green story is, at this point, harder to refute on the basis of costs and most of the industry attempts backfire. The shift to the competitiveness argument was an important and more fruitful strategy not only because it was connected with the goals of the Commission itself (sustainable

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[49] Interview 4
[50] Interview 3
[51] Interview 6

development), institutionalised with the creation of a watchdog (Competitiveness Council), but because it resonated with national governments facing tough times. In Parliament, on the other hand, the costs argument did not work well and the story shifted towards the workability line, something that could unite different groups. Evidence against the knowledge the industry was claiming to have was put forward by NGOs in a very successful manner, with the blood tests initiative, but the 'division' between environmental and animal rights NGOs, exploited by the media, hindered the formation of a stronger green block.

The analysis of stories, therefore, provides a version of the episode that cannot be offered by an orthodox examination focused solely on the lobby tactics chosen by big business and federations in REACH. Strategies and stories go hand in hand, evolving in a symbiotic way as the policy making process moves on. If the analysis was restricted to business strategies, the making of the European chemical policy would appear as simply one more case of a powerful lobbying watering down inconvenient legislation; taking stories into consideration adds explanatory power to the analysis, shedding light on other actors, their agency and strategies and on how they can limit or aid business interests.

Conclusion

The watering down of the European chemical legislation has been a highly complex exercise of business representation. Moreover, the dispute is still ongoing, with the comitology meetings and the work of the European Chemical Agency thoroughly scrutinised by both anti and pro REACH lobbying groups and a review scheduled to happen in 2012. A summary of the policy making process, however, would probably classify the final result as draw: the legislation is weaker in comparison to its first version, with a significant amount of substances removed from testing, but the industry was not able to remove authorisation and substitution requirements, which were the at the centre of their, and their allies', demands.

The main obstacle in the industry's way was undoubtedly new actors, the coalition headed by the environmental NGOs, which made good use of their access to the DG Environment and the priority green issues were enjoying at the European level, a structural advantage, to construct a narrative compatible with the goals of the legislation. Structural biases favouring the industry were also clear later on in the process, when anti-REACH pressure at national level with stories about cost and competitiveness paid off with the division of the Council, a central player in co-decision, and direct interference by the biggest states in the Union. This mobilisation, on the other hand, can also be linked to a convergence of stories – the narrative connecting the legislation to high costs and lack of competitiveness is intertwined with media stories about the decline of European economic growth, reinforced by the Commission's own admission of missed targets. This contrasts with the industry's earlier narratives, of a more self-interested kind, constructed without any engagement with arguments further afield. The result was a stronger draft that needed to be fought against in the subsequent stages.

In Parliament, a more divided terrain, stories were important to convince undecided MEPs to join the cause, leading both sides to develop new lines of approach. Even though the workability narrative was able to connect different interests, the institutional fight between the Parliament and the Council suggests that the green story about the extent of the chemical contamination, coupled with a clever involvement of parliamentarians of all parties in the testing, was more effective. The successive strengthening of authorisation and substitution by MEPs, in turn, led to the agreement maintaining the procedures despite the Council clear intention to remove them.

The media coverage was important in particular moments because it brought more actors to the table (i.e. national states) after the links between the economic downturn and the legislation were amplified, particularly in the financial papers. The coverage for the pro-REACH was given space in mainstream media, particularly on the blood test issues, but was probably more important in Brussels. The portrayal of a 'division' between animal rights and environment, however, was considered harmful by insiders because it compromised their relationship with key green MEPs close to the animal rights cause.

REACH, therefore, shows the complexity and close links between stories that are constructed by different actors and their use in different moments of the process. Strategies that coordinate the release of these narratives at the 'right' stage of the dispute, therefore, seem to be central to the process. Alliances are important but their strength is enhanced when they are formed among groups with difference interests, producing a narrative that is a compromise of some sort. This is true for the animal rights/ industry coalition but also for the green coalition, which shared the story with a broad membership including unions, financial institutions, women’s movement and even the animal rights movement itself. In the next chapter, an episode happening in different geographical and institutional settings will be explored, bringing new actors, strategies and stories to the analysis.

Chapter 5: The mediated story of Herceptin

Introduction

This chapter focuses on the process leading to the approval of the drug Herceptin (trastuzumab) for the treatment of early-breast cancer, in August 2006, by the National Institute for Clinical Excellence (NICE). The medicine, one of the first of a new group of genetically engineered drugs to reach the market, was approved in 2002 for use on metastatic breast cancer patients after a one and a half year appraisal condemned by cancer charities as unnecessarily long. New trial results, released in 2005 in the United States, showed that the drug also produced good results for early stages of HER-2 breast cancer, setting in motion intense media attention that reached its peak much before the drug maker, Roche, had filed for a marketing license with the European Medicines Evaluation Agency (EMEA). A fortnight after the EMEA approval, NICE widened the availability of the drug for all patients who can benefit from the £20.000 a year drug.

By contrast with REACH, the "battle for Herceptin", as some newspapers dubbed it, was not in any sense a classical business representation episode: it was not fought inside restricted committees, executive or legislative, but through the tabloids and the courts; it did not entail a conflict between corporations and civil society interests but a perceived discrepancy between government and civil society needs, with cancer charities and patients on one side and Primary Care Trusts (PCTs), NICE and the Department of Health on the other; it benefited from speeding up rather than delaying decision making, with the rushed process undermining NICE's main role and established protocols and leaving some local authorities with the uneasy choice between funding Herceptin for newly eligible women or offering adjuvant cancer treatment to more than four times the number of patients (BMJ2006). Lastly, unlike most mediated episodes involving big business in the last years, the company benefiting from the government decision was mostly removed from the debate, attracting very little criticism as a result.

The geographical and institutional differences between the cases, as explained in chapter III, are deliberately chosen and analytically desirable: the funding of a drug in England and Wales is a national decision involving a relatively new technocratic body supposedly working at arms length from government and corporate influence, but close to patients. Thus, interactions between actors and structures are likely to result in strategies, alliances and stories that are dissimilar from the ones found in an episode where supranational bodies are involved in a multinational negotiation to agree on a regulation that will translate into costs to a major industry. A particularly relevant difference here is the massive involvement of the media, raising questions about the manipulation of opinion in democracies and how it can lead to the disregard, even briefly, of previously established rules.

While Herceptin involves a smaller number of actors than REACH, its complexity lies in the intricate nature of their relationship that can be traced back to historical and institutional ties. The activities of pharmaceutical companies are intertwined with both the state, the key purchaser of its products, and the National Health Service (thereafter NHS), where the prescribers sit in direct contact with patients, the end beneficiaries of drugs. There are, therefore, social (NHS), political (Department of Health) and private (pharma) actors that, in the 1990s, were joined by charities and patient groups clustered around clinical areas or diseases. This becomes less tidy, however, when the state, keen to maintain the pharmaceutical industry as an economic flagship of innovation and profitability, has to shape the institutional and regulatory environment in which the industry and the NHS interact while remaining the main customer of the former, a sponsor of the latter and answerable to citizens. Civil society members, on the other hand, are patients, voters, tax payers and consumers.

It is sensible, thus, to briefly review these historical issues in the first part of the chapter, highlighting the roles of different actors and the structures that were created to provide and regulate medical services and medicines in the United Kingdom. Of particular importance are the developments of the past two decades, not only because this is when civil society started to challenge big business, particularly pharmaceutical companies, but also when significant changes in the health system in Britain brought new mechanisms to deal with medicines, their approval and funding (Moran 1999), and new actors like patient bodies were officially invited to become part of the decision making process (Wood 2000). Questions about access, the organisation of new actors and institutional particularities, as well as new alliances and strategies that have developed in the last two decades are some of the issues dealt with by this section.

The second part of the chapter moves on to the case itself, describing the first round of approval in 2002 but mainly concentrating on the process that led to the extending of the drug to early stage patients, concluded in 2006. Having considered the actors and structures in the first part, this section focuses on the intersections between the two. What kinds of stories were told, where and by whom? Were stories conflicting? Were stories accompanied by particular initiatives? Did actors form explicit alliances? What kind of media was involved and how was the episode portrayed? The existence of two subsequent episodes involving the same actors, institutions and drug adds a twist to the analysis of these issues, with the most important question being what could be learned from the first episode that might have helped Roche to obtain its goal in the second round.

1. A historical perspective on actors and institutions

The NHS was created on the 5th of July 1948. Britain was among the first Western countries to offer free medical care at the point of treatment to its citizens independently of levels of contribution, pooling the risk equitably across the whole population and bringing together hospitals, doctors, nurses, pharmacists, opticians and dentists under the same umbrella. Whilst most politicians were in agreement that the provision of health care in Britain, until then following Lloyd George's National Insurance Act of 1911[52], was inadequate in both coverage and quality, labour Health Secretary Aneurin Bevan's biggest challenge was to secure support from the medical profession, opposing the new plans. The dilemmas were mainly about how to integrate hospital and general practitioner services and keep high quality standards, professional autonomy, public accountability and the profession's participation in decision making (Klein 2006).

The British Medical Association had particular problems with any proposal "which appeared to turn general practitioners into public servants"(Ib., p.10). Thus, a centrally run NHS would only become a reality after a series of concessions: general practitioners were allowed to work as independent contractors within the system and consultants (hospital specialists) were given the right to practice privately and retain

[52] The National Health Insurance, introduced in 1911 by the Liberal Government, aimed to maintain the income of sick workers and provide personal health services and was maintained via contributions of the state, employers and employee. The scheme was the first time the state became involved in providing personal health services.

control over conditions of employment (Wally, Mossialos et al. 2004, p.6). In practice, the new system was about the government providing the money and the medical profession deciding how to spend it, a tacit agreement called “the politics of the double bed” by Rudolf Klein (1990). Instead of a domination of the state bureaucracy over professionalism, Klein argues, the situation was one of mutual dependency: if doctors became employed by the state and dependent on it for resources, the state became dependent on these professionals to run the NHS and deal with problems of rationing scarce resources, disguising political decisions as clinical.

But tensions would soon arrive. For the state, the problem was that, even though doctors made decisions on how to spend funds, it was the government who was ultimately accountable for what happened in the NHS; medical professionals, on the other hand, were working on tight budgets and the gap between what was affordable in the UK compared to other Western countries was widening. These problems were at the core of the NHS reorganisation (unification) in 1974, which reinforced the “voice of the expert” into the structure (Klein 2006, p.69) and prepared the shift to a managerial efficiency doctrine. In 1991, further reforms directly impacted the double bed agreement, with doctors receiving indicative drug budgets and purchasers and providers becoming separate roles. Moreover, local health authorities were required to publish their plans and have contracts specifying the type of services they were providing for the population[53].

Geographic variations in the access of care, which would become a media favourite under the catchy name of postcode lottery, started to become visible. Waiting lists were increasing, NHS institutions were failing the minimum standards set by the *Patient’s Charter* and resources were tighter. Hostile academic and media coverage of the shortcomings was also increasing. Under these pressures, “the tacit arrangement was beginning to break down” (Harrison and McDonald 2007, p.87). Support was building for a central government body deciding what should be available on the NHS, a demand that would be met with the creation of the National Institute for Health and Clinical Excellence (NICE), in 1999, and the Scottish

[53] The solution found by the Conservative government for the rationing in the NHS was a creation of an internal market and competition with professional management in the public sector; standard-setting, performance measurement and target setting; emphasis on output controls linked to resource allocation; disaggregation of units into purchaser-provider functions, introduction of contracting; shift to competition and cost cut; emphasis on private sector management style; and discipline in resource use. In (Hunter 1997)

Medicines Consortium (SMC), in 2001, introducing an additional regulatory stage to the process of prescribing.

1.2 Research and marketing: the Pharma elixir

The link between research and development in medical science and the pharmaceutical industry started with the discovery of penicillin, in 1928, and gained scope and speed with the introduction of antibiotics in the 1940s (Abraham and Lewis 2002). When the NHS was created, the strategy for success was based on two pillars: a very visible research and development area, which experienced a threefold increase in tandem with the number of new chemical entities introduced in the market (McIntyre 1999); and a much less obvious marketing and advertising activity aimed at doctors in charge of prescriptions. The idea of research-driven companies was central for the justification of high prices of products: ethical drugs are expensive to develop and should be protected by patents. If firms are not able to recover the money and time spent with research and development, they will choose not to do so. Despite the selling of over the counter and even generic drugs, the bulk of profits come from ethical drugs: "the larger part of the turnover, and an even larger share of profit, in giant pharma companies is in ethicals" (Froud, Johal et al. 2006, p.153-154). In 2002, companies had over 80% of sales revenue coming from ethical drugs.

The slowdown of scientific advances and the tightening of regulation following drug safety problems in the 1950s and 1960s forced a change in business model: instead of a constant flow of new chemical entities, companies started to have one innovative medicine turned into a champion through heavy marketing to prescribers. Patent protection secures market share for a minimum amount of time, particularly important for blockbuster drugs; conversely, patent expiry brings huge anxiety for most companies. Moreover, companies also rely on the launching of the so-called me-too products[54] and different versions of the same drug that can extend patent times. In this marketing driven environment, phase IV trials, happening after

[54] Me too medicines are variants of existing products that do not represent significant discoveries. They usually have slight molecular alterations allowing a new patent. In the US, between 1989 and 2000, only 35% of the drugs approved by the Food and Drugs Administration (FDA) related to new chemical entities – in other words, of 1,035 drug applications, 674 contained an active ingredient that were already in the market. For the complete report, see (Hunt 2002)

the drug has received licensing approval, are key sources of promotional material on drug efficacy.

Pharmaceutical companies, therefore, are dependent on the actions of both groups of actors in charge of the ‘social’ body represented by the NHS: the government and doctors. On the one hand, doctors and other health professionals have to be courted to prescribe the expensive ethical drugs that increasingly display very little difference from one another. On the other, the state holds the key for profitability in two ways: cost-recovery is linked to patents, defined by regulation, and states are usually the largest buyers. Therefore, keeping patent life unchanged, simplifying approval procedures and convincing the main purchaser to accept high prices are central regulatory issues for pharma, whose favourable framework has been historically secured with high expenditure on lobbying and political contributions.

1.3 The state, the budget and the flagship export industry

Drug prices were seen as part of the problem of matching demand and supply in the NHS from an early stage. Hovering around 10% of the total costs, drugs became an immediate target for savings because they answer for one third of the variable costs in a budget made up of 70% fixed expenditure. From 1948 to 1996, ten different measures were taken to try to restrain the growth of the medicine bill with very little success (Griffin 1996). The establishment of committees to consider how the costs of NHS drugs could be rationalised was also used to try and restrain escalating costs (Abraham 1995, p.57). The first was the Joint Committee on Prescribing, set up in 1949 to consider whether doctors should be restricted from prescribing drugs whose efficacy was dubious and branded versions of common drugs. In 1953, the Committee started working on a list of directly advertised medicines to ban them from NHS prescribing, triggering a prompt response from the Association of British Pharmaceutical Industry (ABPI).

Under pressure for previous misleading advertisement, the Association found the answer to the problem in the merger with the Pharmaceutical Export Group. Instead of arguing for the protection of an industry partly responsible for the health budget imbalance, the ABPI framed the proposed rationing as a threat to the development of a relevant export industry in a country desperate for exports after the WWII. The argument was that removing well-known branded drugs and banning products from NHS prescription would affect the visibility and reputation of British products abroad. At that point, one third of proprietary drugs produced in the UK were exported. The lobbying would result in a different agreement: the Voluntary Price Regulation Scheme.

The Scheme, later renamed Pharmaceutical Price Regulation Scheme (PPRS), aimed to be an unified answer to the multiple problems of saving money, protecting the health of citizens and supporting industrial growth. The first arrangement, established in 1957 between the Department of Health and individual drug companies represented by the ABPI, was an attempt to keep minimal regulation and "to achieve the health policy goal of cost containment and the industrial policy goal of a successful and internationally competitive pharmaceutical industry"(Sedgley 2001, p.13). The complex system is a combination of profit controls, with a cap on the return of capital (ROC) of companies selling to the NHS, and price control[55] that gives companies freedom to set the initial price of new active substances, but restricts subsequent price increases and might include agreed price cuts.

The industry would come under fire again, in the 1960s, following subsequent scandals regarding the safety of drugs such as the Thalidomide[56], which ignited a heated debate about regulation. Lord Cohen, chairman of the Joint Committee on Prescribing, revealed that in 1961 more than half of the drugs issued had not been clinically tested and that information provided to physicians was inaccurate. The controversy led the Parliament to advocate a new system of licensing involving the Medical Research Council or a public institution like the American Food and Drugs Administration (FDA). A Committee on the Safety of Drugs was created in 1964 but very little changed: the average process of appraisal only took three months and, in the first year, of the 600 submissions, only 15 were rejected (Abraham 1995, p.68). Harder measures were brought up a few more times, after other scandals involving

[55] To calculate the amount the company can charge the NHS for all its products, the Department of Health values fixed assets on a historic cost basis and, after taking into account allowances for cost on research and development, promotion and information, applies a special formula. If the return on capital is not reached each year, the company can raise the prices of other drugs in its basket and, conversely, if it exceeds the permitted return, it should reimburse the excess.

[56] In the US, the case caused even more public outrage since the drug was not approved by the Food and Drugs Administration (FDA) and still millions of tablets were distributed to doctors for clinical testing purposes (Id, p.84). In the US, the Thalidomide case was the origin of the Kefauver Harris Amendment or Drug Efficacy Amendment of 1962, expanding the powers of the FDA and demanding stricter control over efficacy and safety of drugs. By 1972, as a consequence of the legislation, the FDA ordered the withdrawal of 1,925 of the estimated 4,000 drugs in circulation (Warden 1992).

drug safety reached the news, but the response has systematically favoured keeping the industry's autonomy and secrecy over its own data.

1.4 The 1990s and 2000s

With the NHS reforms of 1991, doctors were at the receiving end of more bureaucratic rules, clear targets, budgets and new management policies. The power of the medical profession established in the early 1950s had become more linked to technical activities such as the prescription of drugs and contribution to the process of drawing guidelines. The latter was a consequence of the shift to evidence-based medicine[57] addressing the problem of rationing and the safety concerns alluded above. In this context, medical doctors, the 'voice of the expert', were naturally involved, and the legitimacy of the recommendations would be challenged otherwise.

Rationing in the NHS, albeit present since its inception through doctor-led gate-keeping, became a hot topic for both media and academic observers in the 1990s, when it started to be causally linked to the failures of the system. Thus, a range of government policies aiming at improving the services was offered. When Labour returned to office in 1997, the NHS struggled with a combination of tight budgets and failed targets. With a reform plan outlined in two policy documents[58], the government tried to restore public confidence in its ability to provide rapid access to high quality care and solve the geographical differences in care, the postcode lottery. The answer was the establishment of NICE, in April 1999 (and its Scottish counterpart, in 2001).

The Institute epitomised the scientific-bureaucratic medicine proposed by the Conservative government in 1991(Harrison and Checkland 2008). While NICE was primarily a vehicle to influence clinical practice in line with evidence, its functions were upgraded when officially published by the Labour government: the mission was to appraise not only the effectiveness but also the cost-effectiveness of clinical interventions and drugs, giving authoritative advice on what should be funded by the NHS. In a nutshell, the value story for pharmaceutical companies had just become more complex: a drug has to be clinically effective and its effectiveness has to come

[57] There are many models of evidence-based medicine, but generally it implies the analysis of cause and effect –that is, the impact of interventions on relevant health outcomes. For a detailed explanation, see (Harrison and Checkland 2008)
[58] The New NHS: Modern, Dependable, outlined in 1997, and A First Class Service: Quality in the New NHS, a 1998 document.

at a proportional cost. Moreover, appraisals delay months of sales revenue, as Trusts usually deny the reimbursement of non-accessed drugs. The main political argument was that the unevenness of care would come to an end, as guidelines should be followed throughout England and Wales.

The new body, operating at arms-length from ministerial control, was designed to use a wide range of experts in its analysis and guidance, but consultations should have representatives of all stakeholders on its board and committees. For the first time, patients had direct access to a process that used to be an exclusive domain of civil servants and doctors, subjected to indirect pressure from companies. The Citizens Council and the Partners Council was the chosen institutional form: the former comprises 30 people from various backgrounds and contributes to the development of guidance but does not interfere on specific appraisals; the latter is a standing panel of 40 members involved in the appraisals. Roughly half of these are NHS health professionals (mainly doctors), about a quarter are patient representatives and the remainder come from the health industry, unions representatives, health managers and quality organisations (Quennell 2003).

The inclusion of citizens in the decision making process was politically necessary: as with the environment, civil society engagement in health issues was a fast growing area, after a timid start back in the 1970s linked to safety scandals and consumer rights (Abraham and Lewis 2002, p.72). In the UK, 25 health consumer groups[59] were formed between 1961 and 1980 in contrast with 66 groups established from 1981 to 2003. In the last two decades of the 20th century, there was also a significant increase in the number of alliances between groups (Jones, Baggott et al. 2003), as well as *de facto* mergers. Despite the uneven level of financial resources, most charities aim to influence policy, with some being able to employ staff to work specifically on these matters (Ibidem). There is, however, a distinction that is relevant to this chapter: global NGOs linked to health and development have relentlessly targeted big pharma since the 1990s, with Oxfam and *Médecins Sans Frontiers* (MSF) exposing how the high cost of drugs and trade/patent agreements are leading to death in poor countries, AIDS in Africa as the most striking example. National groups, however, are focused on patients as consumers, providing information about drugs, treatments and active advocacy for patients' rights.

[59] Health consumer groups are part of a voluntary sector including research charities and welfare support groups from rare to common diseases.

Thus, unlike organisations like *Médecins Sans Frontiers*, the relationship between national charities and drug makers is not necessarily hostile. In fact, the co-operation between companies and patient groups has grown at the same pace as the creation of health advocacy charities. A 1999 survey of 123 British health consumer groups found that 60% of organisations reported contact with the pharmaceutical industry regarding issues of disease awareness and sponsorship of publications, meetings and conferences (Baggott, Allsop et al. 2004). Financial support, however, has not been properly disclosed, making it hard to tell the independent lobbying groups from the 'astroturf' lobbying, the capture of grassroots organisations by powerful actors or even the creation of fake front groups (Savage 1995; Beder 1998).

This kind of strategy is openly acknowledged by PR gurus such as Michael Durand, managing director for healthcare strategy and planning for Ogilvy Public Relations: "Product managers see advocacy groups as allies to help advance brand objectives, like increasing disease awareness, building demand for new treatments and helping facilitate FDA clearance of their drugs" (2006). In Europe, where direct to consumer advertisement of medicines is banned, these obscure relationships are even more useful and controversial. The European Patients' Forum, for instance, was established in January 2003 as a response to the calls of the European Union to have a pan-European patient body and occupies a key position in EU consultation, but is 90% industry funded (Scrip, 2005). Ball et al. found that only one third of the 69 UK groups analysed stated clearly where their funds have come from and only four out of 69 stated advertising and conflict of interests (2006).

These links have proved fruitful within NICE. Despite a couple of highly controversial cases in NICE's first year of functioning, with the refusal of Relenza[60] (The Independent, 5th of October1999) and Beta Interferon (Crinson 2004) causing a media uproar that prompted the Prime Minister to defend the new institution, episodes involving alliances between the industry and patient groups fared well. Of the 13 appeals regarding technology appraisals processed by NICE from 2000 to 2002, all 8 cases in which the industry or patient groups were the sole appellants were rejected. In contrast, four of the five cases in which both appealed simultaneously had at least part of the complaint accepted by the Commission. They were referred back for re-

[60] In receipt of new clinical data, NICE conceded limited approval for Relenza. But then it was time for doctors to rebel against the guidelines because they were still "unconvinced of the benefits"(The Guardian, 11th of December 2000)

evaluation and eventually "the objectionable NICE guidance was rejected" (Duckenfield 2003). This relationship, according to one interviewee, is desirable and encouraged to a certain extent. "It is important for companies to align with patient bodies because they can have an impact on the decision and they are allowed to have an impact".[61]

According to the chairman of a patient group and member of a NICE appraisal committee, the more specialised the charity, the more likely it will run the risk to become too close to a pharmaceutical company. "Charities that have a narrow focus, say breast cancer, are in a difficult position because they potentially only have two or three companies to turn to. There is a greater risk that they will become in the pockets of one company or will be perceived as being in their pockets"[62]. The *quid pro quo*, however, is becoming more sophisticated. While the request for the support of a particular product or drug made by the company for an appraisal is common and even encouraged, companies are now savvier in their approach: "If they set up a charity or do other up front moves, which they also do, it is obvious. But there are other cleverer ways and some companies, knowing what is coming on stream years in advance, are playing the long game. They develop long term relationships with selfish goals. It is less direct than setting a charity but much harder to detect"[63].

The shift to evidence-based medicine also provided the industry with a new avenue to influence doctors other than blunt marketing: the artificial creation of clinical consensus, usually through sponsored trials and ghost-written pieces. In charge of the research agenda, most of the funding and sole owner of the raw data of trial results, companies started to manage the scientific literature, "engineering clinical consensus that favour their product even in the absence of scientific basis of the superiority of the new product, usually much more costly than older ones", according to Prof. David Healy's memorandum to the House of Commons probe about the Influence of the Pharmaceutical Industry (2004). Richard Horton, editor of the medical journal *The Lancet*, called journal supplements "little more than information-laundering operations for industry"(Select Committee on Health, 2004).

[61] Interview 8 with a health economics and member of the Scottish Medicines Consortium, on March 2009

[62] Interview 10 with a academic researcher, member of an appraisal committee at NICE and chairman of a large charity in the UK. March 2009

[63] Interview 10

The process of engineering clinical consensus starts with an external agency drawing a detailed strategy for the dissemination of a drug, from the organisation of scientific conferences and meetings to writing articles and setting up websites. A key part of it is a publication plan, including a review of the scheduled trials to decide "what kind of paper could be written, when they could be written (depending on when data becomes available), who the authors could be and which journals it could go to, depending on content and authors involved"[64]. These articles would not show the name of the medical writer or a disclaimer about the agency or its work for the pharmaceutical company. "When I worked as a medical writer we simply wrote the paper and phoned around a number of people, doctors, asking: we've written this paper, would you like to be an author?"[65] The use of ghost-written articles has only recently started to be debated among medical professionals and scientists (Smith 2005; Smith 2006; Moffatt and Elliott 2007; Gøtzsche, Hrobjartsson et al. 2009; Hirsch 2009). The mention of the practice in the House of Commons review prompted a change of guidelines from the European Medical Writers Association (Jacobs and Wager 2005).

In sum, the Herceptin case, to be reviewed next, is a story played in a scenario that differs quite strongly from the one set up in 1948, with the 1990s as a clear turning point. The shift to professional management and evidence-based medicine of the NHS reforms in 1991 changed the relationship between the three main actors. The medical profession moved into a more technical role as the expert assessing medicines and procedures from a scientific, evidence informed point of view. This role, in turn, was institutionalised with the creation of NICE, the technical body designed to make the uncomfortable political decisions about rationing on the behalf of the government. The growth of health consumer groups has been partially spurred by an opposite aim: to gain space in the public arena to influence policy making and fight any perceived discrimination, particularly if linked to costs.

2. The battle for the drug

Herceptin (trastuzumab), a breast cancer drug created by US biotech enterprise Genentech, was approved by the FDA in September 1998, after the medicine was

[64] Interview 9 with pharmacist and former medical writer working for an agency. March 2009
[65] Ibidem

granted priority review and fast tracked. Targeting a particularly aggressive kind of cancer, tumours with an overactive gene called HER-2 that spurs growth, Herceptin was one of the first genetically engineered drugs to reach the market, developed to add months or years to the lives of patients in advanced stages of the disease. Designed to be used in conjunction with a genetic test, Herceptin enhances the effects of the chemotherapy by starving the tumour of nutrients. Between 20% and 30% of women test positive for HER 2 and, before Herceptin, the disease often killed within a year of being diagnosed. In the first release of trial results, at the opening of the American Society of Clinical Oncology Convention in May 1998, reports about the drug were greeted “with cautious optimism” (The New York Times, the 18th of May 1998).

Roche, the Swiss blue chip that owned 66% of Genentech, signed an agreement to market Herceptin outside the United States in July 1998 and the approval of the European Union was given in August 2000. In the UK, however, the company would not be able to get a rapid uptake: with the recently created NICE, health authorities would wait until official guidance was issued to start to foot the over £20,000-a-year bill for the treatment. Since its decision about Relenza, NICE was on the top of the love-to-hate list of pharmaceutical companies. Even the approval of two very costly cancer drugs (Taxol and Taxorene) for ovarian and breast cancer, in May 2000, did little to relieve the tension. The general view of the industry was that NICE was rationing vital drugs and being too slow to decide. The Beta Interferon decision, a month later, would sour the relationship between the two even further[66].

Amid this hostile climate, Roche submitted Herceptin for NICE approval in December 2000. The process for late stages of HER-2 positive cancer took 15 months inside NICE committees. While the case was being analysed, patients launched campaigns to get Herceptin funded by the NHS in their area but very little about the drug and the individual cases made headlines: Dorothy Griffiths’ story in Staffordshire was followed by a single outlet, the local paper The Sentinel, and she

[66] NICE’s intention to remove the medicine from NHS prescription was leaked to the BBC News, in June, and was confirmed by the Institution the following day. A damaging dispute was unleashed, with patient groups and medical professionals joining pharmaceutical companies in criticising NICE. Despite an appeal launched by the MS Society and professional bodies, NICE kept its guidance even after the government announced the establishment of a risk sharing deal to fund the drug for existing patients. Beta Interferon was the first case in which the stories of individual patients were widely broadcasted by the media, particularly by the tabloids.

won the right to have the drug funded in November 2001; Michelle Hilton, in the North West, made the news because she died two days after the local authority agreed to pay for the drug (The Daily Mail, 5th of October 2001). The Daily Mail also published one article about postcode lottery (24th of July 2001), a discussion that would be taken up by The Guardian and The Independent in March 2002, when NICE issued the guidance for the drug. Cancer charities, patient groups and the industry, whilst welcoming the decision, accused NICE of “unnecessary delay to end “postcode prescribing”. Meanwhile, Primary Care Trusts refused to pay pending NICE decision throughout the appraisal (The Guardian, 16th of March 2002).

Funding the new drug was going to cost the government about £17 million a year with circa two thousand women likely to benefit from the approval (FT, 16th of March 2002). Prescription rates, however, were still below expectations one year after NICE’s decision. In October 2003, Roche provided CancerBACUP, a charity that would play a crucial role in the second round of approval, with evidence of the unevenness in geographical terms. According to the survey, the comparison of the sales region by region with the projected number of women who could benefit from it showed that the access to Herceptin varied widely from one region to another. Only 14% of women in the Midlands were being given the drug while 61% in the South West were being prescribed (Roche 2003). The bottom line was that 50% of the women eligible to the drug were not receiving it.

The line of cancer drug lottery was widely publicised by CancerBACUP, with Joanna Rule, the charity’s CEO, explicitly pointing out that “'There is no monitoring either by NICE or the Department of Health of whether their guidance is being followed by the NHS” (The Daily Mail, 16th of October 2003). The figures made headlines in most newspapers leading John Reid, then Health Secretary, to demand “to know why some health authorities are reluctant to prescribe drugs that are recommended nationally”. The government's cancer tsar, Professor Mike Richards, was asked to carry out an investigation to find out if patients are being denied cancer drugs (BBC News, 28th of October 2003). The next day, speaking to the FT, Joanna Rule added that “the next step is surely that the new Commission for Health Audit and Inspection should be obliged to audit, publish and enforce national cancer standards, including the availability of NICE recommended treatments”(FT, 29th of October 2003). These were the last media articles about Herceptin until 2005, when new trial results were ready to be released.

2.1 The second round

The process of approval of Herceptin for late stage breast cancer, therefore, displayed two characteristics: there was very little media surrounding the case, with scarce coverage about individual patients and not much about the drug itself, even though the debate about postcode lottery gained some traction after CancerBACUP's intervention in 2003; secondly, once the technocratic process of appraisal started, it got enclosed in NICE's committees, following its usual long course, led mainly by health professionals and health economists. Roche issued very little information about the drug during this time, with only one of the seven statements released by the company from 1998 to 2002 making reference to results and scientific data (Roche, 15th of March 2001), an unusual procedure. "When the drug is about to be launched, there will be another phase of producing papers and meetings which will continue after the drug is marketed, establishing its name and keeping people aware"[67].

When the results of the HERA trials (phase 3) linked to early breast cancer were about to be released in 2005, however, the strategy was markedly different and more in line with the practice described above. The first to break the news was the National Cancer Institute, the medical facility conducting the randomised trials of the drug in the US. According to the report, "patients with early-stage breast cancer who received Herceptin in combination with chemotherapy had a significant decrease in risk for breast cancer recurrence compared with patients who received the same chemotherapy without trastuzumab", an important achievement because HER-2 positive tumours grow faster and are more likely to return (24th of April 2005). The report states that patients receiving trastuzumab in combination with standard combination chemotherapy had a 52 percent decrease in cancer recurrence compared to patients treated with chemotherapy alone, quoting scientists describing the drug as "truly lifesaving".

Roche followed suit to announce the results through its own press office (26th of April 2005), a procedure also adopted in other key moments of the process: new favourable trial data was made public by Roche in May and June 2006 (3rd of June 2006; 29th of May 2006), straight after the new indication of the drug had been approved by the European Medicines Evaluation Agency (EMEA) but still needed a

[67] Interview 9

NICE stamp. There was a clear clinical value story being used this time too: Herceptin was effective compared with placebo and other treatments, something that can be argued across different countries. The problem for Roche, therefore, was to create a convincing complement to the narrative about the cost-effectiveness of Herceptin for the particular British context in which "what they really want to know is how many life years do you gain and how much survival do you get for the money"? [68] Part of the answer is to deflect attention from the price or, rather, making sure "the drug is seen as having a good benefit so that it balances the price"[69].

Media coverage worked most of the time in Roche's favour, partially because of the particularities of the British debate surrounding medical care. Throughout the process, newspapers based their stories in two lines: one was about the life saving character of the drug, used by all kinds of media outlets but more common in broadsheet and financial newspapers; the other focused on rationing and postcode lottery, with refusals to fund the drug from the part of local authorities fuelling the use of individual stories, particularly in tabloids. While both story lines were compatible and frequently used together, emphasis on the former or the latter depended on the type of newspaper and timing of the process. The narrative about the new and miraculous nature of Herceptin started to circulate straightaway, with The Guardian (27th of April 2005) publishing an article with quotes about how "the NHS needs to make immediate provision" for Herceptin one day after the new results were announced by Roche.

The Wall Street Journal Europe referred to 'cure' despite the follow up period of the drug reaching only 18 months of the usual 60 required. The article reproduced the opinion of Eric Winer, from Dana-Farber Cancer Institute in Boston:"HER2 positive may very well be the first subtype of breast cancer where we look back and say: we cured this type of breast cancer"(15th of July 2005). Tabloids were unsurprisingly drawn to superlatives: after being dubbed the magic bullet or wonder drug by The Daily Mail (19th of September 2005), Herceptin coverage included only positive specialist opinion. George Sledge, a breast cancer specialist in Indiana, told The Daily Mail that Herceptin produced "the most stunning results in a clinical trial in my entire career", while cancer consultant Andrew Wardley, from the Christie's

[68] Interview 8
[69] Ibidem

Hospital and Manchester University, stated that “it does not only shrink the cancerous tumour, it eradicates the cancer” (4th of October 2005).

Within the scientific community, the debate was more controversial, with professionals considering Herceptin as one of the biggest breakthroughs in the history of oncology and others showing more caution. The results of the US trials published in October 2005 in the *New England Journal of Medicine* were greeted by the *British Medical Journal* as “stunning”. The American Medical Association, however, called for some sort of “scepticism”, while *The Lancet* called the excitement “premature” and “profoundly misleading”, arguing that was insufficient evidence to make reliable judgements on the drug’s efficacy and safety and calling for cooler heads. Reported by the FT, NICE’s chairman, Sir Michael Rawlins, claimed that the evidence published in medical journals was far from the necessary data taken into consideration before the licensing authority can give a verdict: “A couple of clinical trials published in a medical journal are woefully inadequate for really assessing the safety and efficacy of a product”(FT, 11th of November 2005).

2.2 The dossiers, patients and the fast-tracking of Herceptin

The mediated frenzy started to gather pace and endurance, particularly in the tabloids, when requests for funding started to be refused and local authorities were taken to court. A series of high profile cases kept the Herceptin case in the headlines. The very first high profile case was Jo-Anne Leese, a 30 year-old from Cheshire, who was pregnant when the illness was detected. She had an emergency C-section to be able to start chemotherapy but was denied Herceptin prescribed by her cancer specialist. Her story shared the tabloid headlines with another piece on Herceptin: charity Cancer BACUP had just released a ‘dossier of delay’(May2005), a list with the12 new cancer treatments that would take longer to reach patients because of NICE appraisal processes, including Herceptin for early stages. According to the patient group, Herceptin could only be expected by February 2009 and, therefore, should be fast tracked. After the dossier, Patricia Hewitt defended NICE and its approval process, as well as the independence of local health providers, but announced a decision to make an early referral of two cancer drugs to NICE in advance of it 12th work programme: one was Herceptin and the other Velcade (bortezomib) for multiple myeloma, also in the dossier.

At the core of Hewitt's statement was that Herceptin could be prescribed even before NICE guidance if PCT or NHS trusts agreed to supply it at NHS expense and the doctor retained clinical responsibility for the patient. "I have decided that an early referral of Herceptin is necessary to allow NICE to begin preliminary work on the development of advice to the NHS on the clinical and cost effectiveness of these treatments and react as soon as possible after the drug is licensed" (Government News Network, 20th of July 2005)

A few months later, the story of Barbara Clark, a 49 year-old nurse from Somerset, brought the discussion about rationing back in the agenda when she launched a landmark lawsuit against the Health Service to be given Herceptin. Clark argued her case on the grounds of the Human Rights Act by stating that the NHS was denying her "the right to life" by not assuring equality of treatment. Mother of a terminally ill adopted son, Clark had already put her house on the market to be able to afford the drug her consultant believed could save her life. In her support, the charity Fighting for Herceptin, led by Dorothy Griffiths, presented a petition of 34 thousand signatures to Tony Blair. She won her plea when Somerset Coast Primary Care Trust agreed to pay because of her 'exceptional circumstances', but was still refusing the drug to other patients.

Her court case and deal was a turning point for the government's story, with the Health Secretary going public to announce that Herceptin would be made available on the NHS to any women who needed it and that all women should be tested to see if their tumours are susceptible to the drug (The Guardian, 6th of October 2005). Whilst the growing pressure from the press was certainly an important factor for the Department of Health's change of heart, another issue is more likely to have triggered it: the release, in September, of the Audit Commission for Local Authorities in England and Wales' report on the management of NICE guidance by local trusts demanded by Cancer BACUP in 2003. The document, compiled in partnership with NICE (2005), showed that while funding was indeed a problem for the implementation of guidance, a greater barrier was the local financial management arrangements.

While the official response from the Department of Health to the study was to defend the independence of its Trusts, stressing that "NHS bodies must make their own decisions about whether or not to fund new drugs based on all the available evidence", Hewitt's public statements had another message. She not only promised that denials could not be justified on the grounds of cost but made a public reprimand to North Stoke's PCT when Elaine Barber, a mother of four who accused health managers of "leaving her to die"(Daily Mail, 9th of November 2005), had her treatment denied. An agreement was reached after Hewitt's intervention, avoiding legal action by the patient.

The emphatic response from the Health Secretary was probably helped by another report: a study by the Karoliska Institute and Stockholm School of Economics (Wilking and Jonsson 2005). Reviewing the uptake of cancer drugs in Europe, the researchers placed Britain nearly at the bottom of a 19-nation league table. Their analysis considered the speed of adoption of newest cancer drug therapies for breast cancer, colorectal cancer, lung cancer and non Hodgkin's lymphoma. Austria, Spain and Switzerland were considered the top three, while the UK was placed with Poland, Czech Republic, Hungary and Norway in the below-average category. The report also considered 'structural' hindrances for the uptake of new drugs and singled NICE out as a main culprit for the delays. "While a positive NICE review should lead to more rapid and wider access to new treatments, there is, in fact, an issue with NICE's capacity to cope with the growing workload of evaluations and undertake such reviews "(Ibidem, p.5). On the bottom of the first page of the report, in smaller print, is the acknowledgment that the project "was supported by an unrestricted grant from F. Hoffmann La Roche Ltd, Basel, Switzerland".

The capitulation of the Health Secretary was strongly criticised by health economists and policy makers concerned not only with the economic impact of the drugs on the NHS expenses but also with the risks of bypassing safety checks in place, another role of NICE. Expert Joe Collier fumed at the pressure the government was applying on its 'independent' bodies. "It is unacceptable that the minister should be pressurising the licensing authority or dictating to NICE about the proper use of medicines. What they should certainly do is make sure the decision by NICE is very fast. That would be reasonable. But this is a dangerous precedent and Patricia Hewitt should back off"(Ibidem). The Department of Health response was that it was not pre-judging NICE's view but making possible for the drug to be adopted quickly.

A regular feature of the second round of approval of Herceptin was the constant media interest and the particular use of individual stories, with a series of women featured in different newspapers. In The Guardian, Dina Rabinovich (who died in October 2007) wrote a compelling weekly column about living with HER-2 cancer (and herceptin); in The Independent, Kasia Boddy told of her struggle with the NHS; The Daily Mail readers got to know a string of cancer sufferers like Emma Hartup, 28, Zaria Chrisostomou, 46, and Kay Brooker, 35, denied Herceptin from their private insurers. Even the Wall Street Journal Europe reported on Suzanne Digwood's plight (WSJE, 2nd of May 2006). In a analysis of 362 press articles about Herceptin from 1998 to 2006, Wilson and his colleagues (2008) found that named patients were mentioned in two thirds of all included articles, with cancer charities mentioned in 20% of them – CancerBACUP being the most frequently referred to. "Four out of five articles were rated by the researchers as positive towards the drug with the remainder being neutral and the main narrative was about "women being denied access to a potentially life-saving treatment principally on the grounds of cost" (Ibidem, p.130) .

A key contact point between the press and patients, on the other hand, were the charities themselves. "The media is difficult and they will not give you any space unless you give them a real personal story. Sometimes we do and the media has handled it well and not so well"[70]. In Herceptin, the involvement of the global PR agency Ketchum in recruiting "celebrity patients" and patient groups to get support for Herceptin was revealed by Sarah Boseley, health editor in The Guardian (29th of March 2006). In its website, Ketchum cites the work with Roche towards the creation of the 'Breast Friends concept': "Media attention was maximized by working with celebrities who had either been supported through breast cancer by a Breast Friend or who had themselves been a Breast Friend. These famous pairings were captured in inspirational photographs by internationally acclaimed photographer Rankin and shared with the world through a global touring exhibition (which launched in July 2006) and a coffee table book, launched during Breast Cancer Awareness Month (October 2006) (Ketchum website).

The use of patient groups and a public relations firm to fuel media coverage based in individual cases was an important move not only for keeping a stream of articles on the news, inserting political pressure, but also for reinforcing a logic that is the very opposite of what NICE is about, moving away from questions about costs. "Companies' and patient groups' perspectives are on the individual, this is their principle. On the decision making side, there is a different principle looking at the

[70] Interview 10

population, at all the patient groups, and that is why they use the Quality-adjusted life years measurement (the 'QALY'): how many qalys this cancer treatment gives me against mental health or whatever. There is a conflict and the ideal situation is to find a common ground. When it gets into the media, say The Daily Mail, the impact it can have is too much, out of balance, and in the long run it makes the system not work"[71]

Another part of the strategy was the reinforcement of the charity story about postcode lottery. The dossier of delay could easily, and probably was, made to be released at the same time as Roche's press material, as the charity knew in advance about the tests in the US. The same can be said about the Karolinska Institute study which, in fact, had been released in September but was first published in the UK when The Independent 'caught' a copy on its way to the European Parliament (The Independent, 4th of October 2005)[72]. The release of the Audit report, however, could not have been timed by the industry and patient groups, even though the report is the result of charities' (and to some extent doctors') complaints about lack of accountability about what happens with NICE guidance. There are, therefore, two options: either it was scheduled to be released, in which case charities might have had an idea of the timing, or it was released as a response to the accusations directed to NICE, since it pretty much detaches the institution from the blame and the behaviour of Trusts. For Patricia Hewitt and her story about the independence of PCTs, however, the report was a serious problem.

Her new story regarding local Trusts and what their own narratives should look like, on the other hand, caused further problems down the line. This is related to the only individual patient case that went all the way from local appeals to the PCT to the High Court. Ann Marie Rogers', a former restaurant manager who borrowed £5000 to fund the drug but could not afford a year's course at £20000, said that the refusal of Herceptin by her PCT was like "a death sentence". Her lawyer accused the Trust of operating against a direction and guidelines given by Patricia Hewitt (The Independent, 7th of February 2006). The New York Times reported the court decision adding that "figures compiled by CancerBacup, a charity, showed that the number of breast cancer patients with access to Herceptin varied considerably across England" (16th of February 2006). Rogers won her High Court Appeal two months later (The

[71] Interview 8

[72] In 2007, the study was published as a supplement in Annals of Oncology (Jonsson and Wilking 2007) The publication triggered a furious response from NICE about "flawed and inaccurate drug industry sponsored report on cancer drugs" (2007)

Independent, 13th of April 2006) on the basis of the irrationality of the denial ([2006] EWCA Civ 392).

2.3 The approval and aftermath

The sense of urgency acquired with the massive media coverage set record times for the approval of the drug in Europe. On the 15th of February 2006, Roche filed with the FDA and, two days later, with the European Medicines Agency. Using an "accelerated assessment" from its Committee for Human Medicinal Products, EMEA approved Herceptin for the early stages of breast cancer on the 24th of May after an appraisal lasting less than ten weeks. Fulfilling its promise, Patricia Hewitt approved a new scheme for NICE in which less evidence was needed, allowing fast guidance and, within two weeks, a draft guidance was issued expanding the availability of the drug to early stage HER-2 cancer patients "except where there are concerns about the woman's cardiac function" (9th of June 2006). This remains the quickest decision about the cost-effectiveness of a drug made by NICE. Final guidance was released in August. Despite similar filing dates, the FDA only released its verdict on the 16th of November, postponing a decision that was initially scheduled to happen in August to acquire extra information from Roche. The American body was concerned about toxicity and the links between the drug and heart and respiratory problems (16th of November 2006).

After the exposure of Ketchum's and patient groups' work for the approval behind the scenes, cracks in the apparent consensus about the drug started to be reported. David Miles, the doctor who ran the early clinical trials of Herceptin in Britain, condemned the fuss around the results in an interview with The Telegraph. "People talk about it halving the chances of cancer recurrence. But that sounds less impressive when you realise you're talking about a fall from 20% to 10% - and that these are preliminary results" (The Telegraph, 16th of April 2006). Lisa Jardine, a cancer patient and University Professor who was contacted by Ketchum to endorse Herceptin, talked about misleading statistics and her decision not to take the drug to BBC News. "The new drug seemed to promise a smallish reduction of an already lowish chance (of the cancer returning)" (30th of May 2006).

An argument about the use of patient groups by pharmaceutical companies and their financial links hit the headlines, particularly after the publication of a study from

Patient View, the market research and publishing house, stating that only 11% of the largest 530 patient groups in the UK publicly stated that they receive support from the industry (FT, 1st of May 2006; Jack 2006). The report was released in the same day that a new Code of Practice (ABPI, 2006), drawn up by the ABPI to formalise the relationship between patient groups and companies, came into effect. But the controversy, and its links with Herceptin, continued well into 2007 (The Guardian, 21st of May 2007; BBC News, 10th of May 2007; Kent 2007; Mintzes 2007). An article written by doctor and breast cancer patient Jane Keidan told of the efforts of both tabloids and cancer charities to make her a campaigner, exposing the media manipulation behind the case (BMJ, vol. 334).

Despite the late FDA approval, off label prescribing of Herceptin (when a physician prescribes a drug to treat a condition for which there is no approval yet) in the United States was so widespread that Citigroup analysts believed the green light by the regulator was unlikely to increase sales further: in the first months of 2006, months before the FDA approval, US sales rose by 86% from the same period in 2005 (17th of November 2006). The revenue of SwFr 3.9 billion in 2006 corresponded to about 9% of Roche's total sales. Results of the HERA trials (early breast cancer) are still being released and, since the battle for Herceptin, a new phase 3 of the drug for advanced and inoperable stomach cancer (HER-2 positive gastric cancer) was set up, showing that it can prolong life when combined with chemotherapy. Roche is also working on "innovative technology" that might allow breast cancer patients to administer Herceptin themselves. The new application for gastric cancer was approved by the EMEA in January 2010 and NICE guidance is expected in August 2010. In 2009, Roche merged with Genentech and Herceptin was responsible for SwFr 5.3 billion in sales, more than 13% of total sales of the Swiss group.

Conclusion

Herceptin offers very different insights about the use of stories in business representation. The first, and perhaps most interesting, is that an effective episode of business representation does not need to imply a huge amount of storytelling from the corporation itself. This, however, is not to say that a clear story is not required. Roche's narrative about the impressive results obtained in the American (and later European) trials of Herceptin, reinforced by an apparent consensus among specialists that are running independent research on both sides of the Atlantic, is crucial and acts as the underlying ‘fact’ in almost every piece of media coverage up to NICE approval, both in tabloids and broadsheet.

A successful part of the strategy, therefore, was to rely on two external actors to tell stories on the behalf of Roche: doctors, as mentioned above, reinforcing the clinical value narrative; and cancer patient groups, with personalised narratives that could deflect public attention from the high price of the drug by placing it on the perceived flaws of the system. The stories told by the latter, thus, were about broader concerns with postcode lottery and rationing rather than particularly about Herceptin. Even though the drug was cited most of the time, and demands were made for its immediate availability after every funding refusal, the dossier of delay, the European study and the audit report were about problems that affected patients in need of a variety of cancer drugs, including the case at hand. This way, patient groups were able to push Roche’s story about the wonder drug while being perceived as an independent body that has only patients’ interests in mind, not a vested interest linked to the drug company.

If patient narratives are about questioning the system and not defending a particular drug, they had to compete/connect with the narratives that legitimate this system in the first place. NICE, created to provide an expert-led approach to health care that could end postcode lottery, has its decisions justified on the grounds of both sound science (evidence-based) and economic calculations (cost-effectiveness). Therefore, patient groups’ narratives, in a nutshell, were about how the unevenness of care is not solved by the combination of these logics but actually exacerbated by it. The government story, in between the two, was an attempt to get away with the crisis by sitting on the fence: supporting the drug that was being treated as a revolution, at the same time that the competency of the different institutions involved in taking the necessary decisions was defended. The media story, on the other hand, was about the various emotionally distressing individual cases, the documentation of the plight of the ‘real’ women behind different numbers and calculations that encapsulate NICE.

As the episode progressed, a packing order of stories started to be formed: dossiers, reports and studies were incorporated into the patient group narrative casting doubts not only on the institutions involved in the decision making process but on the stories that were defending their autonomy. The media frenzy combining consensual opinions about the superior clinical qualities of Herceptin and the emotional exposure of patients' lives, on the other hand, turned the PCT's refusals to fund the drug into clear cases of 'rationing' in which effectiveness is being trumped by costs. The government story recedes until the point in which a guarantee of payment is made by the Health Secretary, bypassing and neutralising the only mechanism that could deconstruct and challenge the apparent rhetorical consensus on less emotional grounds: NICE. In other words, the narrative that legitimise the technical-scientific foundations of health care decision making were challenged by actors flashing their democratic credentials and was temporarily overruled by a government unable to offer a story that could contain the mediated scandal.

It is also important to note that the second round of approval differs from the first one in crucial points that are linked to stories: firstly, there was a much less clear storyline about the clinical value of the drug from Roche; secondly, patient groups involved in the appraisal inside NICE, including CancerBACUP, had only a specific story about Herceptin and the importance of its quick approval, which is a standard narrative for appraisal purposes. This, in turn, might also partially explain the absence of another storyteller: the media, uninterested in one more drug being appraised and supported by its main beneficiaries. It seems reasonable to assume, thus, that the strategy and stories for the second approval of Herceptin have their foundations in the first episode.

The next chapter takes the analysis of business representation and its stories from policymaking arenas to the stock market, where narratives are identified as a crucial tool for the management of investors' expectations in an environment virtually free from direct involvement of civil society organisations.

Chapter 6: Shell and the tale of shareholder activism

Introduction

The oil giant Royal Dutch Shell spent a great deal of the 1990s fighting accusations that it had neglected environmental and human rights issues in the name of profits, a campaign that culminated in a boycott of its gasoline. The episode analysed in this chapter, however, is not about civil society's outrage at Shell's ecological or political record, but about an accountancy scandal involving top executives and the oil reserves Shell declared to securities regulators in the United States. The problem started in January 2004, when the company reported a 20% downgrade of its proven oil reserves, a Security and Exchange Commission (SEC) classification for projects supposedly ready to be developed. As reserves are an important figure for investment decisions in the energy sector, the news hit the share price and caused wild speculation about what had gone wrong. Overnight, a firm whose technical robustness had historically compensated for a dull management profile was drawn into a six-months long crisis fuelled by shareholder activism and media attention that resulted in the destruction of careers, the effective consummation of a merger that had been allowed to remain incomplete for almost a century, and the first revision of SEC's oil and gas reporting requirements in 30 years.

Shell in particular and the oil industry in general offer a sizeable sample of episodes that would qualify as empirically relevant for this thesis[73]. But the choice of this reserves case as the stock market example is deliberate because it touches on a couple of points that are inherent to the problems this work is trying to grasp. Firstly, it illustrates the impact of external actors' stories on corporations and their behaviour; secondly, it highlights the complexity of constructing narratives and living by them under the watchful eyes of stakeholders with different interests (and stories). Shell's handling of its communications also contrasts with a popular belief that successful business representation is proportional to the money corporations are able and willing to spend: at the time of the reserves restatement, Shell was the world's third biggest

[73] The combination of rich industries and environment damage is at the centre of the growth of non-governmental organisations back in the late 1970s, with Exxon Valdez oil spill in Alaska (1989) as the first globally mediated episode linking energy companies and environmental damage

corporation according to the Fortune Global Ranking[74]. This, and the extensive investment in projects and campaigns aiming to smooth its relationship with external stakeholders since the 1990s, including co-operation with environmental and human rights NGOs and the hiring of communications guru Maurice Saatchi, could not prevent it from walking straight into the worse public relations disaster in its history.

This case has noteworthy characteristics that were not present in the previous episodes. Firstly, there is a clear absence: unlike Herceptin and REACH, Shell's dispute did not involve organised civil society in the sense of the term used in the previous chapters - non-governmental entities acting as advocates on particular 'social' issues. This is important because the effort Shell put into understanding and managing civil society actors since the 1990s did not seem to be useful at all in this case, reinforcing the proposition that stories legitimise different things in political and economic arenas and, thus, are not capable of fulfilling several functions at once. On the other hand, this story brings in two new types of actors, with different approaches and levels of engagement, who had not appeared previously: securities regulators and institutional investors. Their role is crucial for the development of the episode and the purposes of this thesis because the former are the institutional structure between firms and the more turbulent world of politics and its stories about regulatory priorities, while the latter are the main recipient of corporate stories and their ultimate judge and executioner, as reviewed in chapter II. This brings in the characteristics of the arena, in which corporations are constrained by the principle of shareholder value, a narrative that legitimates shareholders as the main stakeholder in this particular set up.

Secondly, the Shell case is about the unexpected delivery of bad news, which breaks the unwritten rules of communications between actors in the City. In other words, the downgrade of reserves is a crisis that put the company into the uncomfortable position of having to defend its credibility whist being under attack. These attacks, in turn, were mainly delivered through and by the media, this time financial newspapers rather than tabloids. This is worth mentioning because the collaborative nature of the production of stories circulating between corporations and the capital market tends to instil a consensus-like aspect to narratives, which makes contestation much harder (Davis 2000; 2002), particularly when the case involves some kind of 'scandal' or rule breaking behaviour from the part of firms.

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[74] It is now the largest company in the world, followed by five other energy firms in the top seven, which means only one of the seven biggest corporations in the world is not an oil giant.

Points to be analysed in this chapter, thus, have to take into consideration the impact that the combination of actors, structures and the particular context of crisis can have on stories and strategies. For instance: did all actors have stories or were some actors more prone to story telling than others? Were stories only about the reserves or about other problems? These are relevant both to the case and to the general proposition of the thesis that stories fulfil different functions in different arenas partially because of the actors involved. Questions about strategies, such as the timing of the release of stories and the involvement of the media, connect with the idea of crisis as a difficult moment for corporate story telling. The role of the media and their own stories, which will be extensively cited throughout the chapter, is a key point here because they alter the balance between competing narratives in the episode. This, in turn, is linked with questions about alliances, their function and the possibilities for their creation during a media storm: were alliances being formed in this case and, if so, between which actors? Were they based on overlapping narratives? Could the damaging and far reaching consequences of the episode been different if Shell had been able to form alliances or produce other stories?

Because of the particular characteristics of the stock markets and of the oil industry, a brief account of what integrated corporations do and the technical information required by regulators and investors is the starting point of the chapter, followed by a summary of Shell and its troubles in the past couple of decades, an important background element to understand the reserves restatement. These introductory notes will be followed by an account of the restatement of reserves, with particular attention paid to the tactics and stories of institutional investors seeking to enhance their influence over Shell's board(s). Given the importance of shareholders and their organisation in this particular case and arena, a session about the rise of shareholder activism is also included. As a broad summary, every piece of bad news revealed by Shell during the crisis was cleverly transformed into consensus about problems and solutions involving journalists, columnists and analysts, turning an episode of minimal financial impact into a reason for a complete overhaul of Shell's governance and the change of SEC guidelines.

1. Oil Industry and Shell

Major oil firms like Shell and Exxon Mobil are vertically integrated companies operating both upstream (exploration and production of oil) and downstream (refining and marketing of products).Their activities include searching for oil, pumping it from the ground, refining the crude and distributing the refined products to bulk and retail. Most of these companies are also involved in petrochemical and natural gas businesses, with the latter becoming increasingly important for its lower cost and even distribution around the world. As part of their annual financial review, firms reassess their crude oil reserves at year end. Reserves can be booked as proved, which means there is at least 90% of certainty that they are technically and economically producible, or as less certain categories (probable and possible)[75]. As booking reserves is not an exact science, companies must only be reasonably sure they can extract the oil and gas, leaving space for managerial discretion. As a consequence, modest revisions both upwards and downwards are fairly common.

For analysts and investors, the Reserve Replacement Ratio (RRR) has become an important instrument to evaluate management because it is a simpler way of estimating future performance in a complex structure where upstream, downstream, petrochemical, gas and power have different cycles and weight in profits. As reserve replacements represent what can be taken from the ground in the future, companies must replace the oil and gas they produce each year to stay even and reserve growth (or replacement) indicates how well they are doing. If the reserve size falls, the company becomes less valuable as a whole because, without replenishing reserves, it is harder to meet targets for future growth rates. The aim has historically been a minimum RRR of 100%, which means the company has replaced all the oil it produced during a given period.

Reserves can be replaced with discovery of new fields, extension of existing ones, revisions of earlier estimates, improved recovery technology or purchase from others. The 1990s were characterised by slashing costs in exploration and production with new technologies and by high levels of mergers and acquisitions activity. In the 2000s, however, the task has become harder. With the fields of Gulf of Mexico, North

[75] See Society of Petroleum Engineers http://www.spe.org/index.php

Sea and Alaska rapidly ageing and their reserves declining (Warburg2003) the industry needs to invest if it is to meet demand, which means higher capital spending. At the time of the Shell reserves crisis, the International Energy Agency estimated that $3 trillion would have to be invested in global oil infrastructure before 2030 to cover the anticipated demand (World Energy Outlook, 2004,p.119). More complicated yet, reserve replacement is moving further away, with European companies having over three times as much success in replacing reserves in non-OECD areas, usually more unstable and risky places, than at home (Warburg, 26th March 2003).

For Shell, RRR became a problem in the late 1990s, when external criticism started to target what had in the past been a strong side of the business. In 1996, remaining life fell from 16,3 years (in 1990) to 13.8, a number still above the US average of 11,6 years, but with a worrying downward tendency. Since 1991, Shell had only replaced production twice and both times mostly through restatements. At that point, the company was forgiven because of its notorious conservatism: “In our view, if company’s restatements are all predominately positive, this is a sign of a very conservative initial proved reserve booking policy” (Donaldson, Lufkin & Jenrette 1999). Part of the problem derived from strategic mistakes: after starting the decade as the company with “the largest combined crude and natural gas reserve base worldwide” (Donaldson, Lufkin & Jenrette 1990), Shell opted to weather the low oil prices storm that swept the decade with cost-cutting rather than acquiring reserves through mergers and acquisitions. When, in 1998, its stock price was more than 10% lower than its peers and nearly 40% against market indices (Donaldson, Lufkin & Jenrette 1999), Shell launched a recovery plan, similar to the restructuring schemes that benefited BP, Mobil and Phillips Chevron in the mid-1990s.

Besides the oil replacement problem, Shell had other pressing issues to deal with during the 1990s. Damning episodes involving environmental and safety issues opened the oil industry as a whole to a scrutiny that slowly migrated from occasional catastrophes towards its everyday practices, triggering an intensive public relations work in all fronts (Levy and Kolk 2002; Lewis 2003), but Shell is probably the oil company that suffered most damage with the criticism of the 1990s. The first blow came with the Brent Spar case, in February 1995, when the British government announced that the company would be allowed to dispose of Brent Spar, an oil storage and tanker loading buoy, in the Brent oilfield (deep Atlantic waters at the west coast of Scotland). Backed up by a worldwide media campaign, Greenpeace successfully attracted public and political opposition to the disposal, particularly in Northern Europe. Despite the continued support of the British government, Shell abandoned the plan (Rice and Owen 1999). A few months later, the company was caught in the middle of a new scandal: the execution of Ken Saro-Wiwa. The leader of the Ogoni people of Nigeria, a human rights and environment activist, had accused Shell of spoiling the ecology of the Niger River delta with its operations. The company was heavily criticised for failing to intervene with Nigerian authorities to stop the execution and a worldwide campaign to boycott its gasoline was called (Boele, Fabig et al. 2001).

These episodes set in motion an extensive operation to assess the changing expectations of external stakeholders, with more than 100 key opinion leaders in over 50 countries participating in interviews and round tables about "changing perceptions of the role of multinationals" (Schultz, Hatch et al. 2002, p.80), as well as direct involvement with non-governmental organisations and local communities. Shell also revised its 1976 'Statement of General Business Principles' to include its responsibilities to society, including human rights and the environment. One year later, in 1998, a report detailing the progress the company had made since the change of its Statement cited Brent Spar and Ken Saro-Wiwa as turning points for Shell (Knight 1998). "There was a big communication shift post Brent Spar and Nigeria, finding out the views of key stakeholders, bringing Maurice Saatchi, creating a set of quasi-ideological principles in an essentially non-ideological corporation"[76], says a former senior executive. At the same time, measures to address the financial performance were taken. "From the late 1990s, with (chairman) Cor Herkstroter, measurement of success was financial performance and the time scale got shorter and shorter. Shell was concerned with its RRR, which is an imponderable, uncertain driver of financial performance. The solution was to remunerate geologists with schemes that are related to the extent to which they booked reserves, the score card system, at the same time that the company has become more and more centralised, driven by accountancy, cost cutting and performance related remuneration"[77].

As a result of the restructuring programme initiated in 1998, by 2001 the return on capital employed was brought in line with other majors. Shell, however, was

[76] Interview 14 with a former communications senior executive at Shell, in October 2008
[77] Ibidem

still underperforming in its upstream activities. In March 2003, having failed to replace reserves for the second year in a row, management told analysts and investors at the strategic meeting that reserves were Shell's strength rather than its weakness. Comparing Shell with other majors, the CEO emphasised its reserve portfolio and detailed its resource base, confirming the 3% volume growth target for 2007. The announcement split analysts' opinions about the feasibility of the task but there was a common line on the reports written about the meeting: if there was a pattern to Shell's booking practices, it was one of being conservative.

2. The announcement

The turbulent 1990s, therefore, changed the way Shell approached stakeholders and the issues they raised. From an organisational point of view, the scandals and growing pressure from the stock market led to a stronger centralisation of decision making. This was supposed to enhance the accountability of managers, facilitating 'unified' communication with stakeholders and costs cutting. Financial numbers were eventually in line with peers and new types of environmentally friendly businesses, like 'renewables', were highlighted in advertisement campaigns. But the traditional and most profitable upstream oil and gas were still lagging behind, with reserves replacement ratios below optimal levels. Despite the underperformance, Shell was still perceived as ultraconservative in its booking practices, making the 3% of volume growth in reserves to be considered by analysts as doubtful but possible.

Against this background, the telephone conference on the 9th of January 2004 announcing that the company was downgrading 20% of its reserves had a startling impact. Held at 9.15am European time but 4.15am New York time, which meant one quarter of the company's shareholders were still asleep when the news were released, and without the presence of Shell's CEO, Sir Philips Watts, the downgrade triggered reactions that knocked 3 billion pounds off the company's value during the day. The news also sent shockwaves across the market, reaching out to other stocks in the energy sector, feared to be in the same situation. Shell's story was mainly intended to reassure investors that there was not foul play and that the re-categorisation would have "no material effect on financial statements for any year up to and including 2003" (Press release, 9th of January 2004).

The conference call broke unspoken rules about dealing with the City, one of which is a no-surprise rule (Golding 2003). “The last thing a public company would like to do is to surprise the market in some negative way. The market does not like surprises, full stop”, says a senior executive in charge of investor relations in a Plc[78]. The second one is that, in case of surprises, clear explanations should be given, as an executive responsible for financial strategy in a retail Plc explains. “If you know that there are certain bad news, get it out of there as quickly as possible, but spend a lot of time understanding what happened because what you don’t want is analysts being left in the dark, trying to speculate the impact of whatever it was by themselves. What you will be trying to do is to get as rich an understanding as you possibly could of what has happened so that you can steer people towards reacting in the right way. The worse thing that management can do is continue to surprise”[79].

Trust in Shell as a reliable company was immediately gone for analysts, whose main story line was about a shift in market perception. Goldman Sachs stated in a report that the downgrade “raises significant concerns with respect to the credibility of the company’s underlying operational performance” (The New York Times, 10th of January 2004) while Paul Adriessen, analyst at SNS Securities, went further to link the quick punishment to a crumbling reputation: “The share price drop is clearly a story of higher risk perception”. For BNP Paribas, the news “materially damaged the investment case” and reinforced “Royal Dutch/Shell’s deserved reputation as a serial provider of disappointing news” (BNP Paribas, 9th of January 2004). “Shell’s wounds were self-inflicted and things must change soon for the company to restore investor’s confidence”, wrote an analyst at Oppenheimer (12th of January 2004).

Two other aspects of the restatement (FT, 10th of January 2004) dominated the press story: the reliability of the ‘science’ of booking reserves and the role of Shell’s top executives in the wrong bookings. The former was of general importance because of the fear that Shell was not alone in inflating its estimates, despite strong statements of rivals like Exxon Mobil and BP that no reviews should be under way. Analysts and journalists spent a great deal of ink and paper discussing the “murky science of estimating reserves” (WSJE, 12th of January 2004), highlighting the “need for greater transparency in the reporting reserves” (FT, 12th of January 2004) and wondering how this could be achieved. But while the technical problems of booking

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[78] Interview 12 senior executive in charge of investor relations in a Plc
[79] Interview 13 senior executive in charge of financial analysis in a Plc

reserves and the weakness of SEC guidelines were fully acknowledged as a collective problem, the latter issue was Shell's own: CEO Philip Watts, whom British fund managers had long considered "aloof and uncommunicative" (WSJE, 14th of January 2004). Not being present at the conference call caused further damage to his credibility and Watts' tentative explanation that the restatement was a technical problem that did not require his presence reinforced, for some, the belief that he did not have what it took to be the top man at Shell.

Matters were made worse because of the position of Watts as head of Exploration and Production at the time of the bookings. Questions about how much (and for how long) he had known about the problems and whether he had pushed guidelines to 'book' his way to the top job were implicitly or explicitly articulated. A considerable part of the write-down resulted from changes in Nigeria, where Watts headed the operations from 1991 to 1994, and Shell was the only partner at Australian's Gorgon field to have booked these reserves as proved. The fact that the CEO was the executive promising the 3% volume growth target in 2003 turned the downgrade into an even bigger failure: "Those who argued in 2001 that Sir Philip should be judged on his results, not his delivery, this month had to face the fact that 'results are as bad as the communication', as one investor puts it", reported the Financial Times (23rd of January 2004).

Watts' was therefore at the centre of the discussion. Funds like the Dutch Robeco Groep NV and Spanish Santander went public to request his removal straight after the downgrade announcement, tuning down the volume after Watts presented his apologies in the 4th Quarter and Full Year Results 2003 presentation, a month later. British fund managers, however, were moving on the discussion to blame Shell's 'cumbersome' structure rather than Watts for the problem. The Association of British Insurers immediately arranged a meeting with Lord Oxburgh, a prominent member of Shell's supervisory board, to press for changes. The argument was that the lack of accountability/transparency fostered by the dual board was the underlying issue, as it left CEOs free of scrutiny. In the first deliberate action to force Shell to review its organisational set up, British investors were quoted urging the company to "change its shareholder structure or face loss of the support" (5th of February 2004). American investors, on the other hand, were simply starting to take the matter to courts, with five lawsuits linked to the reserves downgrade being prepared.

From the regulatory front, very little was said after the downgrade, but both SEC and the FSA were expected to launch an investigation into what caused the problem, which they jointly did throughout the summer 2004. Their work mainly involved analysing internal documents and conducting interviews. Shell flew employees to talk to investigators in the US and allowed full access to internal information. The only official comment was released in August 2004, when the company was fined £17 million by the FSA for breaching market rules and misconduct amounting to market abuse, and $120 million by SEC for violating American securities laws regarding reporting, record-keeping and internal controls (SEC and FSA 2004)

Watts' subsequent apology, in a meeting that also announced a replacement ratio of about 98% for 2003, a positive surprise given the previous announcement, momentarily deflected the impact of the bad news and unprofessional handling of the disclosure. But despite the four weeks between events, Shell had not yet worked on what an interviewee defined as "crafting a story to explain what has happened without telling the investment community everything"[80]. The information that an internal committee was looking closely at the episode, advised by US-based law firm Davis, Polk and Wardwell, was the only attempt to address the restatement story. Without concrete answers about what exactly led to the wrong bookings, media coverage moved from hard news about the downgrade to opinion pieces. The FT's Lombard column stated that "investors are asking rightly whether the complicated management structure encourages bureaucracy and impedes creativity, accountability and strong leadership"(FT, 6th of February 2004). Jeremy Warner, the City expert at The Independent, had no doubts that changes needed at Shell "must surely be the creation of a unified board"(The Independent, 6th of February 2004). Analysts were not on board yet: "We don't recognise the link between this reserve problem and issues of the overall group structure" (Commerzbank, 5th of February 2004).

If there was little shareholder outburst after the meeting with Watts, there was no doubt that trust was damaged. As Ivor Pether, head of portfolio construction at Royal London Asset Management remarked to The New York Times, investors' perception of the company had "gone through a seismic shift" (6th of February 2004). The stream of news released from the company from the Full Year Results to

[80] Interview 11 with a senior executive in charge of financial strategy in a Plc

the FSA and SEC decision, in August, were not likely to lift investors' spirits: two executives would be sacked, the good faith claim first issued by the firm dropped and the oil reserves would suffer three further minor downgrades. But before we move into the second part of the episode and the stories different actors started telling, it is useful to think about narratives so far, both linked to Shell and to the stock market as an arena of business representation.

The function of stories in the stock market, this work suggests, is to justify and legitimise managerial decisions *vis-à-vis* alternative views, with the breakdown of a story likely to start a crisis making the construction of new ones more difficult, as both storytelling and management are discredited. Therefore, when Shell's narrative breaks down, management credibility is hit at the same time that any storytelling involving new promises is met with suspicion. The perception of management as untrustworthy, however, has very concrete consequences, opening the door for different kinds of demands from key actors: the replacement of management, as some Spanish and Dutch investors called for, and the increase of investors influence in decision making, as the British preferred.

The former would be quickly complied with. The preliminary results of the Davis, Polk and Wardwell report (2004) cast doubt on the role of top management in the scandal and led to the dismissal of Philip Watts and Walter van de Vijver, head of exploration and production, in March. In the way of the demands from the latter actors, however, was Shell's dual board system, through which the Dutch side owned 60% of the group, had a final say on decisions and also held 1.500 priority shares controlled by its management and supervisory board. Removing these shares and unifying the board were obligatory steps if investors intended to gain stronger control over management.

2.1 The story of shareholder activism

The importance of the British investors' argument cannot be underestimated not only because it impacted the development of Shell's crisis, as it will be clear as we turn back to the episode, but because it brings to the fore the complex relationship between stories and legitimate action that frame the arena in which this dispute takes place. Little more than 30 years ago, Alfred Chandler (1977) documented the rise of the modern giant business enterprise that was made possible, in his view, by clear lines of separation between ownership and management and the autonomy of the latter. Since the 1980s, however, investors have worked on new ways to blur these barriers: from junk bond- fuelled hostile takeovers by investors seeking to impose discipline on corporations' boards and management to the creation of lobbying groups for shareholder's rights, such as the Council of Institutional Investors, initially led by an estate treasurer responsible for both the California Public Employment Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS)[81].

The resulting corporate indebtedness and financial fragility of banks by the end of the decade led policy makers to find new ways of aligning corporate governance with shareholders interests. The answer was found in the rhetoric of shareholder value, institutionally imbued in bodies such as the FSA and the SEC and legally supported by changes that facilitated coalition building for investors[82] and clarify the circumstances shareholders should actively intervene in a company, the approach they will use and how they measure the effectiveness of the strategy, laid out by the US Department of Labor (1994). In 2001, in a review for the Treasury, Paul Myners recommended that British rules should incorporate the American principle on activism (2001).

These developments would pave the way to a more institutionalised kind of shareholder activism, with union-based funds taking the lead. Investors proposals put on proxies are not legally bound, but the changing attitude of boards speaks volumes about how seriously companies are taking institutional investors and activism threats: in 2002, only 15.49% of the proposals that achieved majority were implemented while, in 2004, boards followed the requests in 50.42% of the cases (Thomas and Cotter 2007, p.337). Proxies sponsored by institutional investors or coordinated by groups of investors received more votes than the ones presented by individual investors. On the type of proposal, corporate governance related suggestions are much more likely to receive support than social responsibility ones (Campbel, Gillan et al. 1999) .[83] Three common proposed actions to solve problems are a repeal of

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[81] CalPERS is still a reference to shareholder activism and its power is proportional to a constituency of 140 public, labour and corporate pension funds controlling more than 3 trillion dollars in financial assets. In (Gillan and Starks 2007, p.57)

[82] The new rules enhancing the ability of shareholders to communicate to each other on voting issues were passed by the Securities and Exchange Commission in 1992. The change in communication rules meant institutional shareholders did not need to rely on expensive proxy proposals, decreasing costs of creating coalitions. In (Gillan and Starks 2007)

[83] The authors found that governance proposals not only receive more support but also that a high proportion of proposals submitted by individual investors are dismissed on technical grounds

antitakeover devices, changes in voting rules and an allowance for increased board independence (Gillan and Starks 2000, p.284-295) The largest number of proposals studied by these authors advocated the antitakeover measures but another typical request has been independent directors on the board. The target companies are usually large, well established but temporarily underperforming their peers.

Before the restatement, Shell ticked some of the most important boxes as a large, established corporation underperforming its peers for several years. Its huge size and its credibility as conservative and reliable, however, made any predatory shareholder activity difficult to see through. The breakdown of the reserves story, and the continuous stream of bad news, solved part of the problem, as this sequence of events exacerbated the underperformance and cast doubts over the quality (and honesty) of management, offering an extra legitimate reason to seek stronger involvement in the board. But any attempt to move towards greater influence, because of the governance changes that it would entail, required a quasi-consensus among investors. The task of making the case for a drastic change was pursued by one particular actor, Eric Knight, of Knight Vinke Asset Management, a New York-based firm "specialised in institutional shareholder activism" established with seed capital from CalPERS[84].

Attempts to form a consensus around the need to change Shell's structure, however, did not start until after the annual results meeting, the first encounter between Watts and investors, and followed the traditional script of activists: instead of submitting proxy proposals, the common strategy is to first initiate a dialogue with the management and board, at the same time that the media is used to undermine the company's image and alert other investors about the problems and their own proposed solutions (Gillan and Starks 2007, p.57). Knight's first appearance was in a Wall Street Journal Europe article about the need for Shell to "alter its corporate-board structure and strengthen the role of its chief executive". At the core of his argument was that the company "should be managed by a unified board with a strong independent element selected with meaningful shareholder involvement" (WSJE, 9th of February 2004), also a classic argument used by institutional investors in proxy proposals.

[84] According to its homepage (http://www.kvamllc.com/home.html), Vinke Asset Management specialises in underperforming large cap public companies and instigates change by highlighting problems in the company structure and governance, which fits Shell's prospect to perfection.

His views about the inadequacy of the Shell structure, seen as a hindrance to shareholders' ability to nominate supervisory and management boards, sent via email statement, were also part of a feature in The New York Times (9th of February 2004). The only response it attracted was John Plender's comment about the improbability of the request (FT, 16th of February 2004). At this point, despite the lack of a good explanation from Shell, the episode seemed to have settled, with the only noteworthy news regarding the announcement of the expected SEC investigation. The decision of keeping quiet or, as an interviewee put it, "having a very boring comment when confronted with speculation, rumours and new stories"[85], seemed to be working.

Shell announced the dismissal of Watts and Walter van de Vijver, as well as its decision to abandon the 'good faith claim' about the episode, without an accompanying explanation. A laconic note stating that the board did not find "illegal conduct" was the only comment provided (FT, 5th of March 2004). As a consequence, the hunt for the story behind the events was immediately restored in the media. Off the record sources pointed at the internal audit group findings as the reason for the dismissal (WSJE, 4th of March 2004). Accounts that the final push was Dutch were also aired, with the Lex Column citing insider knowledge to reveal that the pair of hands responsible for the move belonged to Wim Kok, the former Dutch prime minister and non-executive board member of Shell (FT, 4th of March 2004). The division of labour between journalists and analysts was clear: daily coverage was a quest to find out what happened, with leaked documents and off the record comments pointing to early knowledge of the reserves problem by the executives in question (WSJE, 8th of March 2004); analysts puzzled about the departure of van de Vijver and whether malpractice was a component, worrying about regulators and possible impact on the bottom line. "Journalists and analysts are our two audiences and they are very different. Analysts are very much coming at it from 'I have got this model, what assumptions do I build in here' while journalists are looking for the story", as an interviewee noted[86].

Eric Knight, at this point the official representative of CalPERS, continued to argue for greater changes while carefully ruling out further disruption at the top. "We have not criticized the performance of individual managers and we don't believe shareholders are looking for scapegoats. Rather, we are focused on the effects that the

[85] Interview 13
[86] Interview 11

groups unorthodox governance structures have on the effectiveness of management and thus on performance and value", said Knight in a press release (3rd of March 2004). Robert Talbut, chief investment officer at ISI Asset Management, echoed the opinion: "We are playing a long-term game (…) The departure of one or two executives is the start of a process of change at Shell" (WSJE, 10th of March 2004). The Dutch were wary of further upheaval and giant funds such as PGGM refused to give any comments before the outcome of the internal report was known.

A few days after the appointment of Van der Veer, Erik Knight was back in the media, signing the Comment column in the FT. This time, he had his gun firmly pointed at the Dutch side of Shell and its dominant position in selecting all management and supervisory board positions allowed by the priority shares[87]. "Management succession is tightly controlled from within – it is effectively a closed shop", Knight stated, using the quick replacement of top executives with internal candidates as the latest example of the Dutch supremacy. He then takes "the analysis a step further" to criticise the two main boards that, in effect, meant "the group's senior management has to serve two masters", weakening accountability and direct intervention to safeguard shareholders' interests. "Shell is now going through an unprecedented crisis, partly attributed to a loss of confidence by the market in its unorthodox governance structures – and a lingering concern that the reserves fiasco could in some ways be related" (FT, 15th of March 2004). The media quickly picked up on it, with his arguments reprinted in the Guardian and the subject of a Lex Column advising investors to maintain pressure for change to ensure more than the barest minimum is enacted" (FT; Guardian, 16th of March 2004).

Knight's opinionated article and the timing of its release were not accidental. In the following week, Lord Oxburgh, interim chairman of Shell's UK arm, would be meeting investors from the Association of British Insurers and it was imperative that shareholders sang from the same hymn sheet. A major point was the appointment of an outsider as independent non-executive, an exclusive prerogative of the Dutch board up to that point. In the run up to the meeting, Knight's opinions were presented as a quasi-consensus in different media outlets. According to these reports, "a growing number of investors" (The New York Times, 11th of March 2004) or "leading

[87] The priority shares were established in 1968 to block any takeover or break-up of the group, a "poison pill" kind of device that was identified in the shareholder activism literature as the top priority for deactivation by investors.

shareholders" (FT, 13th of March 2004) believed that Shell needed outside executives to "restore confidence" in Shell management. After the dismissal of Watts and van de Vijver, still not fully explained, and the hasty appointment of Jeroen van der Veer, shareholders were keeping Shell on the negative watch while negotiating behind the scenes. A huge operation to bring the Dutch pension funds to join the fight was in place. A British institutional investor revealed that their efforts "to enlist support at the Dutch end", after weeks of trying, had "got stuck in the mud" while PGGM, the giant Dutch fund, publicly announced they "were not going to mix with other movements outside the Netherlands" (FT, 13th of March 2004).

Investors saw a new opportunity in the announcement of a second downgrade, which erased the only highlight of the annual meeting by slashing RRR in 2003 to 82%. Presented as "primarily technical in nature", the news was again not harmful *per se*, but the combination of another negative statement, the announcement of investigations on insider trading by the Autoriteit Financiele Markten (AFM), the financial regulatory body in the Netherlands, and questions by Euronext (Press release, 18th of March 2004) was unfortunate a day before the meeting with Lord Oxburgh . Pressed about changes in the company structure, Jeroen van der Veer replied that the group did not see the relationship between the reserves problem and its structure, but reaffirmed the company's willingness to review it by early 2005" (FT, 19th March 2004)."Deeply upset", the Association of British Insurers demanded more power to influence decisions, including appointment of senior executives, and called for a unified board. Lord Oxburg told the FT the meeting was "excellent" while investors warned "the dialogue is not over and it will continue" (FT, 23rd of March 2004).

On the other side of the Atlantic, the Institutional Shareholder Services, the US proxy voting advisory firm, announced that governance problems at Safeway and Shell would be big issues for American shareholders, who should be focusing on their "peculiar" governance structures (FT, 12th of April 2004). With British and American dominating the Group shareholder base, Shell's prospects were far from good. Ironically, a key point of Shell's investor relations plan for 2004 was to charm large institutional investors in the United States, Japan and continental Europe, as well as dropping specific targets (e.g. reserves replacement), "once delivered", in favour of fewer or less specific goals (Group Investor Relations Strategy 2003). Another paradox was the apparent uselessness of the communication shift set in motion after the 1990s. “It is the supreme irony. Every day a box of material about crisis management, Corporate Social Responsibility etc arrived at Shell’s headquarters after Brent Spar and Nigeria. The reserves crisis outranked any statements about CSR Shell would like to make”[88].

3. Aligning stories

The impending release of the Group Audit Committee report about the episode kept the media going while Shell kept its silence. Days of ‘leaking’ preceded the announcement: citing insider sources, the Wall Street Journal reported that the document laid the blame for the overbooking heavily on Philip Watts and Walter van de Vijver (13th of April 2004). The article prompted van de Vijver’s first public statement denying the “inaccurate portrayals of his role” in the crisis and stating that the Committee of Managing Directors, Shell’s highest forum, was aware of the problems all along (FT, 14th of April 2004). His accusations, in turn, brought Eric Knight back to the limelight to urge “the protagonists in a growing dispute to allow regulators to settle the matter”, while announcing that a group of Dutch shareholders were now on board. “Mr. Knight, who speaks for 1% of the equity and is to hold urgent talks with Aad Jacobs, the head of Royal Dutch supervisory board, said 15 shareholders in the Dutch arm were demanding greater dialogue” (The Guardian, 15th April 2004).

Shell’s full account of the downgrade, completed by a new restatement of reserves and the dismissal of the CFO, Judy Boynton, spoke of lies, internal fights and deliberate attempts to fool the market after top managers were told, back in 2002, that the bookings were too optimistic (Executive Summary, 2004, p.8). The sudden decision to disclose was a direct result of the final conclusion, by the EP team, in December 2003, that “not to disclose would constitute a violation of US securities law and the multiple listing requirements. It would also increase any potential exposure to liability within and outside the US” (Ibidem, p.9). The summary also revealed that Shell had one part-time auditor for the whole of its global operation, a surprising number especially if compared with its more than 600 lawyers. The report was a necessary and overdue move to “ultimately meet negative issues head on with a

[88] Interview 14 with a former communications senior executive at Shell, in October 2008

structured reason to explain something"[89], but Shell's story was intercepted by other narratives. If, for Lord Oxburgh, "the report makes quite clear that structure had nothing to do with the problems", meaning that human rather than structural failures were the root of the problem, British investors were adamant about the need for reform, with Guy Jubb, the head of corporate governance at Standard Life Investments, expecting to "see a more unified structure and more efficient management arrangements"(FT, 20th of April 2004).

In the media, analysts and commentators closed ranks with British investors. Lombard argued that "it is hard to avoid the conclusion that his (Walter van de Vivjer) concerns would have had much more chance of being aired and remedial action taken far earlier if Shell had had an Anglo-Saxon governance structure with a single unified board bringing together executives and independent directors under a non-executive chairman" (FT, 20 of April 2004). For analysts, a positive response for the stock was expected if Shell became a single structure because of enhanced accountability (Commerzbank, 20th April 2004). Rating agencies also joined the debate, with Moody's Investor Services cutting Shell's AAA credit rating to AA1 because the dual structure hampered "the company's ability to make changes" and restore its credibility with the financial community (FT, 22nd of April). Standard & Poor's would threaten to do the same in July if the company did not address its weaknesses in corporate governance and internal controls (Shell press release, 8th of July 2004).

Dutch funds ABP and PGGM were still avoiding comments about structural changes but welcomed Shell's promise to review the matter (FT, 20th of April 2004). It was clear that the differences among investors were becoming slimmer. Expectations were that clear proposals should be presented at the annual meeting in June. A British investor told the FT that "the Dutch investors now understand that no-change is not an option. The company is hearing this message loud and clear" (22nd of May 2004). Two days after the Group's 2003 accounts were signed off by 'unqualified' auditors, together with a fourth downgrade, CalPERs released its "focus list" for poor financial performance and corporate governance including Shell. It was the first time the Californian fund included a European company in the list. According to CalPERS, the reason for targeting Shell was its persistent underperformance in the previous five years and the reserves restatement. "CalPERS is concerned that the

[89] Interview 13 with an investor relations top executive

Dutch board, one part of Shell's complex dual corporate structure, has failed to respond effectively to shareowner demands (9th of June 2004).

Despite frantic contact with major investors through one-to-ones with Aad Jacobs, considered the most powerful executive within the company, information about the review of the company's structure was not disclosed. Investors were allegedly sent home without knowing who was leading the review, its terms and to whom it would be delivered (FT, 14th of June 2004). They were only assured that the company was working on the case and details would be provided at the 28th of June meeting. A fortnight before the meeting, representatives of the Association of British Insurers were the ones leaving a meeting with Lord Oxburgh infuriated by his obstinacy in not revealing details of the review (FT, 15th of June 2004), prompting threats of mutiny in the meeting (FT, 14th of June 2004) and the return of Eric Knight to the media.

In a letter co-signed by Ted White, CalPERS director of Corporate Governance, Knight "explicitly requested that the directors provide the market with this minimal level of disclosure sufficiently in advance so as to enable shareholders to form a well-balanced point of view in preparation for the (annual) meeting". Citing evidence of a "powerful shareholder consensus" concerning the Group's corporate governance and the need for change, they demanded to know "the terms of reference of this review – namely, the specific issues to be considered; the composition of the body conducting it; and a timetable, involving further shareholder consultation before formal approval of any changes is sought" (FT, 16th of June 2004). Shell responded with the released of an "Update on Structure and Governance for Royal Dutch/Shell Group" revealing that the steering group was led by Sir John Kerr, would be advised by external law and tax firms and investment bankers, and focused on three main points, with the simplification of the board/group as one of them. The text also explained that results should be made public by the Boards in November 2004 and further consultation with shareholders would then take place. A pleasant surprise was left for the last paragraphs, where the company announced that "the Board of Royal Dutch will propose to its Annual General Meeting of Shareholders in 2005 to abolish the priority shares" and promised further updates during the July meeting.

At this point, the consensus was that the dual board and priority shares were to blame and had to go, and few commentators expressed different views. John Plender was certainly a lonely voice when he stated that "the dual voting system may have been a factor in Shell's problems. But I suspect that the Americanisation of pay and performance incentives, capital market pressure and culture change were more important"(FT, 21st of June 2004). When, three days before the meeting, Shell managed to announce that Philip Watts would be getting away with a severance payment of £1,057,971, the equivalent of a 15 months' salary despite being a three-month service contract, the Association of British Insurers issue an "amber top alert" to members. UK investors such as the Pensions & Investment research Consultants described the decision as "outrageous"(FT, 26th of June 2004). More worryingly, the Institutional Shareholder Services, followed by US-based funds holding 25% of Royal Dutch stock, called for a vote against discharging the directors. Peter Paul de Vries, director of VEB, the Dutch shareholders association, said his group would be joining pension funds in voting against the discharge. PGGM and ABP agreed a voting position but declined to divulge it. Even though the vote is non-binding, a block of the discharge by shareholders would be another public relations nightmare for Shell.

During the meeting, 40% of investors refused to back the resolution to "discharge the responsibility" of the managing directors and the supervisory board for 2003. Also in a very unusual fashion, PGGM and ABP openly criticised Shell's refusal to call a special shareholders meeting to discuss corporate governance. "It is a pity that you are keeping the market and your organisation in a position of uncertainty. The risk is that it appears that you have not been listening to investors but are concentrating on your own plans", a spokesperson declared (FT, 29th of June 2004). The argument was very close to Eric Knight's new request that the review group should have a shareholder representative. In the UK, Lord Oxburgh assured investors that the corporate review group was looking at "extreme measures". "With extreme used to describe anything from sports to shaving products, investors must hope Lord Oxburgh's version is worthy of the sobriquet"(Lex Column, 29th of June 2004). By mid-July, Shell was running a series of face-to-face meetings between shareholders and members of the review committee and announced that Citigroup and N.M. Rothschild would advise on the changes in its corporate structure.

Shell contacted SEC on the 2nd of July to make a new restatement – this time not of reserves, but of profits, as the overstatement of reserves exaggerated profits by $272 million and inappropriate accounting being responsible for an additional $156 million. By then, the regulator, in partnership with the FSA, was conducting interviews with current and former executives. For regulators, Philip Watts justified the wrong bookings on the failures of the current guidelines to reflect the reality of the industry and the dodgy foundations of figures linked to words like possibility and probability (FSA, 24th of June 2004). The restatement of profits, in turn, led to a US House Committee on Financial Service's hearing, chaired by Michael Oxley. Entitled "Shell Games: Corporate Governance and Accounting for Oil and Gas Reserves" (Committee on Financial Services 2004), the meeting had as witnesses Eric Knight, two accounting professors and one engineering consultant.

In his opening statement, the co-author of the feared Sarbanes-Oxley Act stated that there were three tasks to be examined during the meeting. Firstly, the hearing would probe "whether additional steps should be taken to ensure that oil companies' reserve estimates are not compromised by improper incentives"; secondly, it should look at "the accounting rules themselves to ensure that the rules that the SEC has put in place have kept up with technology to provide investors with the most accurate possible information about a company's proved reserves, and, accordingly, its financial position"; and finally, the hearing would "examine questions of corporate governance, in light of the unusual corporate structure at Shell". He finished the statement reaffirming the belief that "there is significant opportunity for Shell to repair some of the confidence that has been lost by re-making its corporate structure to reflect the image of transparency and candour that is embodied in the majority of publicly traded corporations as a result of the Sarbanes-Oxley Act" (Ibidem)

By the end of August, Shell agreed preliminary settlements both with FSA (£17 million) and SEC ($120 million) but never admitted or denied charges. By the end of October, the company announced the results of its corporate restructuring review, the biggest of its history. The company opted for a full merger of Dutch and British holdings, with Jeroen van der Veer appointed as the first CEO of the combined company. "Saying farewell to the collegiate system will enable me to speed up strategic decision making and make sure we have the right project delivery", van der Veer was quoted saying after the announcement. Insiders were confident that the merger would provide the company with quicker decision-making and greater access to the capital markets, which would allow it to pursue takeovers – some accounted Shell's inability to join the mergers and acquisitions of the 1990s to the complexity of its structure. Also in line with investors' demands, the new structure would have five executives on the board and ten non-executives. At a value of about £100 billion, the new company would account for about 8 % of the FTSE 100 (FT, 29th of October 2004).

Despite a new major reserve restatement, announced simultaneously, Shell’s shares went up in the Netherlands and London. By December 2004, when Shell was working on the legal and tax issues of its unification, Eric Knight had moved on to his next task: to force a structural change in the French conglomerate GDF Suez. Despite the alleged 4000 hours devoted by Vinke Knight to “Project Stork”, which involved visiting French municipalities to study Suez water contracts (FT, 8th of December 2004), he did not succeed in breaking up the water and power conglomerate.

In June 2008, in a clear response to Shell’s case and the questions asked by Michael Oxley, the SEC issued a ‘proposing release’ seeking pubic comment on amendments to the disclosure requirements regarding oil and gas companies, the first since 1978. The aim was to take into account the technological developments of the past 30 years “to provide investors with a more meaningful and comprehensive understanding of oil and gas reserves, which should help investors evaluate the relative value of oil and gas companies”. The final rules (SEC, 2009) mirror significantly the comments of Eric Knight, Philip Watts and the experts witnessing at the House Committee on Financial Service. As a result of the changes, Shell had a record year in adding proved oil and gas reserves in 2009: 3,420 million barrels of oil equivalent (boe) proved oil and gas reserves which, added to the annual production, made a Reserve Replacement Ratio of 288% (Shell strategic update, March 2010).

3. Conclusion

The Shell case has two remarkable features that relate directly to the propositions of this thesis: firstly, it illustrates how the breakdown of a story and subsequent crisis it unleashes can make the building of a (counter) story a much harder task, as trust in the storyteller is damaged; secondly, it reveals the particularities of an arena in which stories are constrained by established/legitimate narratives that define different roles, with corporations working towards the delivery of shareholder value, investors encouraged to actively intervene to make sure they do so, and a financial media whose main duty is to channel the necessary flow of information between the two. In this particular episode, most of the storytelling was made by the two last groups, with Shell reluctant to provide any kind of narrative that could explain its problems.

The financial media, and in particular influential commentators such as FT's Lombard and Lex, are central to the final outcome because it is through their articles and columns that the stories of a few minor shareholders were disseminated and supported, at the same time that Shell, and its stories, were kept under a public and negative watch. In other words, the eventual consensus among journalists, analysts and British investors around Knight's story, which linked the reserves fiasco to deeper governance problems that could only be resolved with a complete change of corporate structures, is created by and through the media. This is crucial because the strategy to build an alliance among major shareholders through a series of individual meetings behind the scenes proved harder than anticipated. The Dutch were visibly reluctant to join any kind of organised attack on Shell and, without the Dutch on board, the epilogue would have been different.

The consensus was made easier by Shell's inability to draw a line under the story of the restatement of the reserves. This failure, in turn, gave outsiders the opportunity to frame the problem and its solutions according to their own agenda, justifying a complete change of corporate governance on an episode without financial consequences. There are at least three interconnected elements related to success of the shareholders' narratives: timing, Shell's silence and, finally, Shell's overdue story. The first relates to Knight's initial intervention about the need to strengthen CEO accountability, a recognised 'right' of shareholders. This came up straight after Shell had just managed to contain the heat around the downgrade and disastrous delivery of the news, bringing the subject back to the media and its scrutiny.

At this point, the absence of a story by Shell meant that media, avid for an explanation, welcomed plausible and, coming from institutional shareholders, legitimate versions of the story. This narrative planted the seed of investors' argument about a lack of accountability fostered by the dual board. When Watts and Van de Vivjer were fired and a new Dutch CEO was chosen, Knight moved on to criticise the disproportional power of the Dutch and the fact that two boards weakened accountability and direct intervention to safeguard shareholders' interests. By taking a step back, Knight led the media to take a step back from the reserves scandal and the obsession with culprits in that particular case and look at a 'bigger picture'.

When Shell disclosed the results of the internal auditing, its own story was about how two top managers, in a full war with each other, lied to the market to cover their mistakes, implying their ousting was the end of a localised problem. In a response to Shell's narrative, Knight continued to decouple particular individuals to the particular episode and linking points revealed by the audit to shareholders' own story about Shell: why were their mistakes not spotted by the 'conference'? Could it have happened if there was an independent director, accountable to shareholders, on the board? How is it acceptable that a group of the size of Shell has one auditor that reports to the head of EP only? This is also interesting because the drive to an ever stronger centralisation of decisions on few individuals was one of the responses of the company to the attacks of the 1990s from civil society and the stock market – an attempt to speed responses and cut costs. This time, however, given the arena in which the reserves scandal took place, Shell could not use the currently less hostile relationship with civil society to get them to tell stories that would work in its benefit, like Roche was able to do in the previous case study.

The crucial alliance here, instead, was formed among investors, supported by the consensus on the desirable way to deal not with the particular episode that initiated the six month crisis, but with the functioning of the whole Shell Group. The final blow, however, was again partially self-inflicted, as Shell's new story about a review of the dual board and the governance structure did not turn into the constant flow of communication desired by the investors and unequivocally demanded by Knight's story, driving the Dutch to the British side.

Chapter 7: Order in chaos: stories as incomplete, immersed in contingency, but not random

Introduction

This work has proposed to examine the role stories play in helping giant corporations to achieve their goals in a society increasingly aware of their power. In this light, the case studies analysed in the previous chapters raise important issues: how policy making arenas have become more susceptible of influence from actors with distinct levels of political and economic power; how this same democratisation, which is at the core of the problems facing business in the past three decades, can also work in business' favour; and how institutions with significant power resources may not be able to prevent external interference that can change their own functioning. These considerations, in turn, open a window into a broader question about the nature and the limits of business power in democratic capitalism.

Both political science and cultural economy scholarships can explain different parts of the puzzle: firms 'accumulate' power by forming alliances (Coen 1997); public relations professionals are able to manipulate the media on the behalf of their business clients who, anonymously, stand to benefit (Davis 2002); stories of promise and achievement, backed by numbers, attempt to manage actors capable of taking the decisions that may change corporations (Froud, Johal et al. 2006). These scholarly approaches are therefore visibly complementary: while political science points at the tactics that can work effectively for business in institutional structures of policy making, cultural approaches consider the importance of narratives and their role in 'framing' reality in economic arenas, as well as the existence of a 'cultural circuit of capitalism' in the process (Thrift 2005). Bringing these approaches together adds a dimension to the picture which is lost when these lenses are used separately.

In chapter III, it was argued that narratives are a strategy used by players, a vital point of interconnection between actors and arenas. The empirical work, on the other hand, showed that attempts to manage stories and the extent actors succeed in doing so are unmistakably a common thread that impacted outcomes in all episodes. This has important implications: firstly, it suggests that narratives may be a suitable bridge between these two bodies of literature because they provide an explanatory tool that can be shared and it reinforces the value of considering stories for the analysis of business representation; secondly, it supports the critical realist argument that structures are strategically selective (Hay 2002; McAnnula 2002; Hart 2001). In other words, stories seem to have become a structural feature that enable actors operating in spheres where business has to publicly represent its interests.

The second point has consequences for the way we understand business power. Competing narratives among different interests are part of the process that reproduce social relations and sustain power, the vehicle of an ongoing negotiation of the norms that inform social relations. However, this negotiation that previously included states, corporations and a few other elite actors is now open to other voices. This changes the picture because narratives work here as a destabiliser that requires constant and purposeful engagement with other stories in a contingent environment.

This chapter, therefore, is concerned with the key question of whether and how stories can be effectively used or, more specifically, why some stories worked and in what circumstances by comparing and contrasting the case studies. The analysis requires the examination of not only the ingredients that made these stories valuable as ‘stand-alone’ narratives but also their relationship with other stories and the arenas where the dispute is taking place, as well as the intersections between actors and structures considered throughout the previous empirical chapters. From this exercise, two findings are relevant for the understanding of narratives in general and narratives of business representation in particular: the incomplete nature of stories and their constant intersection with other narratives. These contrast with the framing of business stories as a ‘box’ (Golding 2000) or a set ‘plot’ with a beginning, middle and end (Froud, Johal et al. 2006). In the case studies, interests broke down into different story lines that developed in different directions to overlap with or contest other narratives, appropriating elements from different levels of story telling.

The first section will revisit the stories told by corporations/sectors and other actors involved in the dispute in each of the cases. This will be followed by an analysis of how stories relate to each other and how these interactions affect their efficiency. The intention is to show how stories are in constant evolution, reacting and changing in relation to each other as well as taking into account the final objective of the storytellers. A third section will bring together stories and arenas, opening the framework for the consideration of other tools of business representation and their interplay with stories. Juxtaposing narratives and arenas highlights the interconnection between the stories actors tell and the stories and interests that inform the arenas themselves, bringing the media into perspective through the analysis of the way its potential double role (as actor and arena) affects the effectiveness of narratives. This exercise shows successful stories as open-ended and incomplete devices able to engage with other narratives and interests particularly through the use of values and ideas considered hierarchically superior in modern Western societies (e.g. science, law, numbers, democracy). These ingredients provide a common language for actors and, by doing so, expand the scope for an interaction that is particularly valuable in political arenas.

Section four considers more closely the literature used as the basis for this work to discuss what narratives can add to our understanding of business representation. It answers the crucial question of why we need stories to explain what both bodies of scholarship analysed in this thesis have accurately documented by arguing that what they describe in its final form is the result of a process that has stories at its core. These interconnected narratives, on the other hand, involve not only firms, analysts and journalists but a much larger range of actors that are legitimate players in democratic, capitalist societies.

As the case studies were systematically referenced in the previous chapters, citations on the empirical material will be kept to a minimum.

1. Who told what

If the case studies were ranked according to the achievement of instrumental goals for business, the order would be unmistakable: Herceptin, REACH and Shell. Roche’s main interest was to have its cancer drug Herceptin approved and marketed as quickly as possible without lengthy bureaucratic processes and quibbles about costs, which was fully achieved; the chemical industry was aiming to reduce its costs by slashing the number of tests, authorisations and possible bans of substances required by the new chemical legislation, and was able to do so to a satisfactory extent; Shell hoped to disclose the necessary downgrade of its reserves and move on to better stories with minimal damage to its credibility as a boring but reliable corporation, an attempt that failed spectacularly. We move next to a summary of the stories they have told in attempts to attain these objectives.

Roche did minimal story telling during the battle for Herceptin, with public announcements confined to results of new trials, first in the US and then in Europe, showing both the scientific enthusiasm about a drug that significantly increased the survival for women with early-stage HER2-positive breast cancer, and their progress in gathering the necessary paper work for the approval of the drug by bodies such as the EMEA and NICE. The chemical industry, on the other hand, did promulgate its own stories during REACH. In the early days, the main industry story was about voluntary schemes and self-regulation, emphasising the message knowledge of chemicals was not lacking. This story line, towards the end of the process, incorporated the funding of alternatives to animal testing.

After the White Paper was published, two narratives linked to costs gained speed simultaneously, one with a strong emphasis on ‘impact assessments’, apparently showing nightmare scenarios in key European countries; the other linking costly and unnecessary tests to animal suffering. Throughout the whole period, the typical industry narrative about losses of jobs and competitiveness was also told, with the story acquiring stronger force after it was revamped to include a concern about the negative effect of REACH on SMEs, other industries (downstream users), the continent (including impairing the Lisbon Agenda), and on global trade. A similar process happened to a narrative casting doubts on the workability of a multilevel and complex legislation that seemed to be taking too much on board, which was created in the beginning of the process but gained more visibility towards the end.

Shell, unlike the chemical industry and Roche, did not have much of a narrative: rather it had an admission that one of its previous stories was no longer accurate. In fact, Shell’s first announcement after the crisis had to be contradicted further down the line. The initial narrative was about a one-off downgrade of oil reserves stemming from an honest technical error, with no bearing on the balance sheet, but subsequent stories were about removing good-faith claims, further downgrades, and changes in the profit outlook. Eventually, a narrative about what happened with the reserves was released, placing the blame on executives already dismissed for attempting to cover up the mistake. By the end of the process, Shell also incorporated the need to review its structures as part of a story to restore credibility.

These corporate stories were met with a wide range of narratives from other actors. In Herceptin, the main interlocutors were patient charities, PCTs and the government. Cancer charities had three interconnected and simultaneous stories pointing out flaws in the health care system that drew on past disputes, including Herceptin’s first round of approval. One narrative was about a postcode lottery in which patients were treated unfairly and had their access to medication and treatment linked to where they lived, something that was about to be repeated with the new cancer drug. The second narrative singled out the National Institute for Clinical Excellence (NICE) for taking an unreasonable amount of time to evaluate life-saving drugs, as well as the local authorities for failing to budget for new approved drugs. These were, during the episode, corroborated by reports and studies that, in connection with the many media stories on individual patients, reinforced the points made by a third storyline about rationing, the existence of an in-built bias towards costs rather than effectiveness in the process.

The government's story, told by Health Secretary Patricia Hewitt, was initially centred both on the defence of NICE as a guardian of fairness in health care decisions and on the denial of any postcode lottery or rationing. The story reinforced the independence of local authorities regarding funding. As the case progressed, the story took a turn to include promises of approval and explicit warnings to PCTs refusing treatment solely on the grounds of costs, in an increasing alignment with the demands of 'fairness over cost'. PCTs that did not follow Hewitt's demands had NICE and the desirability of its guidance (cost-effectiveness) at the centre at their own narrative: in the absence of official approval, only patients with special circumstances should receive the drugs. Stories about undue governmental interference with NICE processes, fragile trials and misleading numbers and media coverage emerged just a few days before the approval of the drug, told by journalists and academics.

In REACH, four key groups are considered here: the team formed by the British, French and German governments (and to some extent, the US), sided with the industry; the alliance of environment, consumers and health NGOs; and animal rights groups and trade unions, considered as different interests both in relation to one another and to business. The Health and Environment Alliance, which includes Greenpeace, WWF, EuroCoop, worked close to DG Environment since the Chester Meeting and, therefore, their story and the Commission's story are tightly entangled up to the release of the White Paper in 2001. In this narrative, there is a knowledge gap from the part of the industry that is not being addressed by the current legislation. Therefore, new rules based on the precautionary principle, the reversal of the burden of proof to the industry, information for workers and consumers and an authorisation process and phasing out plan for hazardous products are necessary. A second story made a case for the business benefits (particularly innovation) and savings the legislation could bring for national health systems and workers, as well as nature. This was mostly developed during the ‘impact assessment war’ of 2002 and 2003. A third story, also constructed mid-way through the process, was about the pervasive nature of untested chemicals found in places they were never intended to be, namely in the blood of people living across Europe.

The European Coalition to End Animal Experiments, chaired by the British Union for the Abolition of Vivisection, entered the debate after the White Paper. The narrative had two main points: it claimed that the existence of a substantial knowledge gap regarding existing chemicals could not be calculated until data was forcibly shared by the industry, and that animal tests are not a reliable source of data, making them morally unjustifiable. The coalition, however, supported the phasing out of persistent, bio-accumulative and hazardous chemicals as proposed in the substitution principle, in line with the environment narrative.

Within the trade union movement, significant differences between stories also existed. Trade unions represented by the European Trade Union Confederation (ETUC) had two main stories: one was centred on the need to manage chemical risks in a socially responsible but workable manner, particularly for SMEs; the second focused on the potentially positive impact of REACH for workers, with a steep decline on respiratory and skin diseases from exposure being predicted from measures such as duty of care, authorisation and substitution of hazard chemicals. The story told by joint positions of trade unions and employers’ groups like CEFIC was plainly about the workability of the legislation, which would only be achieved if authorisation and substitution requirements were scraped.

The British, French and German governments brought a narrative about regulatory overkill when the draft proposal was published in 2003, with their heads of state branding the legislation an example of how European competitiveness could be jeopardised by overregulation. In their story, the slowdown of the Lisbon Agenda would be one of the main casualties of this type of regulation. The United States tagged along by arguing the incompatibility of REACH with other trade regulations.

In the Shell case, the main interlocutors were investors, regulators and analysts. Anglo-American shareholders authored the story attributing the failures both in gauging the reserves and in not disclosing the problems sooner to the inefficiency and opacity of the management structure of two boards spread between the Netherlands and the UK, while blaming Shell for not listening to investors. The narrative of Dutch pension funds, however, was that Shell had performed badly but was taking the matter seriously, listening to shareholders and moving forward. This position shifted towards convergence with their British counterparts a few weeks before Shell announced the overhaul of its structure. Analysts also added new elements to their story as the episode progressed: the initial version focused on Shell's consistent underperformance, deficient communication strategy and credibility problems but was overtaken by a parallel narrative linking the dual board to Shell's failure mid-way through the crisis.

Considering the short versions of stories told throughout the different disputes highlights two points that are relevant for the purposes of this thesis: one is that there are incomplete stories rather than one self-contained story, with arguments being complemented or framed differently over time; another interconnected issue is that these stories do not exist in isolation but intercut one another. These issues will be discussed in more detail in the next section.

2. Stories versus stories

The starting point of this section is the finding that stories are incomplete and in constant development, characteristics that cultural economists have linked to capitalism itself (Thrift 2005). Despite their importance as generic features of narratives, one that in fact differs from the conceptualisation of stories as a self-contained plot with a beginning, middle and end (Froud, Johal et al. 2006), these still offer limited clues about why narratives are successful or not. And this is so because part of the puzzle is how to deal with the contingency brought by other actors' moves and stories. This section, therefore, put narratives together, case by case, starting from the most successful to the less successful outcome (in industry terms), to observe the synergies between the different narratives that may be lost in the midst of highly complex interactions. The aim is to unearth and develop further the second issue hinted at in the last section: the intersections among stories. In other words, using the boiled down versions of stories portrayed in the last section, this section intends to shed light on the act of constructing narratives as an ongoing dialogue between actors, a negotiation in constant evolution rather than a random reflection of self-interest.

Herceptin's second round of approval started with a simple press release about successful new results for the drug, with scientists commenting on independent phase

III trials. Less than a week after Roche's announcement, patient group CancerBACUP released the 'Dossier of Delay' with the 12 new cancer treatments that would take longer to reach patients because of NICE appraisal processes, including Herceptin for early stages. According to the charity, Herceptin could only be expected by February 2009 and, therefore, should be fast tracked. After the strong media coverage of the dossier, Patricia Hewitt defended NICE and its approval process, as well as the independence of local health providers, but promised an early referral of Herceptin and Velcade to NICE Working Programme, a *de facto* fast tracking. As individual patients had their story told by tabloids and went to court, the Audit Commission report argued that funding was a problem, but that poor planning and financial arrangements were to blame for the lack of access to medicines in many places. This had two effects: it partially absolved NICE, which was a co-author of the survey, but also forced Hewitt to capitulate on the independence of PCTs. The release of the EU-wide research showing the UK at the bottom of a 19-nations league table regarding the uptake of cancer drug therapies, including Herceptin for late stage breast cancer, prompted her to reinforce the message. This included the public reprimand of Trusts refusing treatment 'on the grounds of cost'. Stories about scientific disagreements and heavy PR surrounding the drug only started to circulate when Herceptin was going through fast track procedure to become the quickest appraisal by NICE to date.

In REACH, despite the much longer process involving a wider number of actors, this correspondence among stories can also be found. The starting point of the legislative process was the story from the Commission and the environmental movement. Here, the narrative was about the need to bring a new law to harmonise patchy European chemical regulations reflecting the precautionary principle and the principle of sustainability, which meant an existing lack of knowledge about hundreds of widely used substances had to be closed. This should be done in a way that combined the protection of humans and the environment with the economic goals of employment and social protection. The story of the chemical industry during the process of translating the narrative into a White Paper, on the other hand, was a direct response to these concerns: committing to further hazard and risk assessment exercises as part of ongoing programmes such as the Long-range Research Initiative was an attempt to maintain the legislation within its own interests of harmonisation of rules across Europe, while keeping the costly extra tests and assessments voluntary. The fact that these industry programmes were running for quite some time was also a proof, in their narrative, that there is not a shortage of knowledge but rather there are logistical problems about collection, analysis and use of such vast amounts of information, something bound to become worse with over ambitious demands. The former claim would became part of the animal rights story about doubting the existence of a knowledge gap while the latter formed the basis of the industry own story about workability used further down the line.

The entrance of the British Union for the Abolition of Vivisection and the European Coalition to End Animal Experiments created a separate story questioning the knowledge gap and deploring the loss of animals in the tests required. The starting point of the narrative overlaps with the industry claims inasmuch as it argued that companies manufacturing chemicals had been investing time and resources to test their products for years and what was needed was mandatory data-sharing, not further tests. The industry swiftly moved explicitly towards this line of reasoning, slamming strict test requirements as not only costly but leading to unnecessary suffering. The industry support for data sharing was less encompassing that it sounded, given that the results the industry was willing to share were the ones already in public arenas and not the confidential data animal rights groups were urging them to disclose. But demands for funding of new testing methods provided their lobby with an opportunity to share part of the narrative, reviving the story about voluntary schemes by turning part of the voluntary work as a search for alternatives to animal testing.

As the European economic stagnation debate grew, emphasis on costs started to predominate in the industry narrative, with catastrophic predictions about the loss of jobs and competitiveness being a card particularly played, prompting actors to engage with this story in different ways. Chirac, Blair and Schröder used it as the core argument in letters asking for caution over regulation. The environmental movement rebutted these claims by providing its own data and releasing third part studies showing the benefits and savings for health providers and workers. This story was shared with part of the trade union movement, but the possibly negative effect of REACH on SMEs, recognised by the Commission, also resonated with them, particularly the European Trade Union Confederation.

At the parliament, because of the new and diverse audience, the environmental movement and the industry had new stories in the pipeline. They were, however, directly connected with former versions and criticisms. The environmental story, based on evidence from widely publicised and debated blood tests, was about a chemical cocktail present in people's bloods whose existence and consequences were largely unknown. This challenged both the claims that there was enough information about the substances widely produced in Europe and that voluntary guidelines are enough to prompt the necessary knowledge. The industry story was about the workability of REACH and how excessive test requirements can become a bureaucratic nightmare. This narrative drew on the industry alleged experience in handling large amounts of data to cast doubts on the good intentions of REACH and its naive supporters.

In Shell, there were much less clear links between stories, even though Shell's actions were an indication that the discussion was being followed by the company. After the announcement of the massive downgrade, despite the lack of immediate financial implications, negative responses were triggered. The first ones to comment were analysts, in stories that blamed the CEO for the awkward disclosure and fretted about the company's inability to achieve targets. When Watts offered an apology for the handling of the downgrade announcement and a full investigation, but still did not provide a narrative about what went wrong, British investors went off to tell their own story. The main argument was that Shell's unusual corporate governance was directly linked to the failures. When Shell's story was finally released, the explanation laid the blame squarely on two of the executives already dismissed, a clear attempt to emphasise a right decision (the swift substitution) and remove the pressure from the structure. This, however, strengthened a counter narrative about failing controls. The announcement of a fourth downgrade and a millionaire pension for the chief-executive who allegedly took the company into fraudulent mess, combined with a lack of information about a commission examining the possible changes in the structure, pushed the Dutch into agreement that radical changes were needed.

The focus on the intersections between narratives highlights two important points about effective stories: they engage with competing narratives either to incorporate overlapping points or to construct appropriate 'answers' to their claims; and are not limited to the dispute in particular but actively attempt to engage with broader stories. This, in turn, relates to the 'imperative of justification' alluded by Boltanski and Thévenot (1999): when there is no consensus, the search for agreement has to imply references to 'principles of equivalence' that can be mutually understood and, therefore, are susceptible to calculations and comparisons. Stories provide these principles and the more competing narratives can engage with them, the greater their effectiveness seems to be.

Independently of the case study, effective stories took stock of other narratives as the process moved forward. In other words, actors built their stories displaying full awareness of what others actors' arguments were, deliberately trying to engage with their points, either to discredit them or to reinforce common interests that could lead to a compromise. While stories often do not – and need not – fully converge, linking narratives with other actors' stories provide the material upon which counter arguments and possible alliances are built. In REACH, stories linked the chemical industry, the animal rights movement and trade unions to a key discussion about the right scope of tests affecting animals and SMEs. This influenced the outcomes of the negotiation about requirements objected to by the three groups, even though there was never a comprehensive convergence of narratives or interests. The contaminated blood story, conversely, undermined the industry point about sufficient knowledge of substances and their long term consequences, reinforcing the environmental movement, trade unions and even animal rights' claims regarding the need for authorisation and substitution provisions for dangerous substances.

In Herceptin, the stories from the charities were 'responded to' by the Department of Health and/or the Health Secretary. But when, in tandem with an increasing number of patients being refused the drug, reports that supposedly proved the incompetence of NICE and local authorities in providing patients with the treatment they needed were made public, the government story fell apart. This, in turn, generated a 'crisis-like' momentum that forced the government into granting more concessions than it had envisaged. In Shell, this negotiation did not seem to be in motion at all throughout the episode, despite the company's awareness of the stories told by other actors. Its failure to engage discursively is remarkable and, to some extent, connected with the absence of its own story. Not having a narrative meant other actors could simply build their own versions of what had happened without seeking engagement with any existing frame, which in this case gave British investors, led by Eric Knight, free rein to draw a causal arrow between the board and the reserves mistakes, at the same time that other actors were never offered anything they could cling on to support the corporation, like the Dutch tried.

Therefore, it would be reasonable to say that good stories provide elements to which other actors can relate, lifting up possible areas of common interests as well as points upon which counter argumentation can be built, as suggested by Boltanski and Thévenot. In other words, stories provide a road map for the engagement and power negotiation among legitimate actors when common interests are not obvious. By offering contact points that can be used to form compromises or refute claims, on the other hand, stories create the ongoing dialogue that is part and parcel of the process of creating credibility and legitimacy (Beetham 1991). Through their stories, corporations stand the test of close scrutiny by inviting other actors to join a negotiation that, in a recent past, was neither open to debate nor public.

Besides the linkage with other actors' stories, the construction of successful narratives is also related to the extent that micro and macro stories intercut. In REACH, this refers to the use of ideas like the precautionary principle, sustainable development, Lisbon Agenda, as well as the more contingent media stories about economic slowdown. In Herceptin and Shell this is more noticeable, as the winning stories that became consensual through heavy media coverage were not about a drug or reserves but postcode lottery and rationing, and shareholder influence inside boardrooms. This expanding set narratives, on the other hand, is again not randomly chosen but pertinent to the arenas where episodes take place. It is to the relationship between arenas and stories that we turn to next.

3. Stories and Arenas

One of the propositions of this work is that stories have different functions in different arenas, partially because the narratives that inform the arenas themselves are not the same: in governance spheres, ideas of pluralism and democracy are paramount, while in the stock market transparency and shareholder rights prevail. This suggests that, in building stories, actors have to take into consideration not only competing narratives but the aims and beliefs of the ultimate interlocutor: the actors that make up the structure one is attempting to influence, as well as the narratives that validate the arenas themselves. Arenas, therefore, bring to the discussion the idea that there are values/logics that are hierarchically superior in different settings (Boltanski and Thévenot 1999), while the judgment of how coherent stories are depends on values of the actors involved in the dispute (Fisher 1987, p.5). This section, therefore, intends to scrutinise the mixture of ingredients stories are made of by taking into consideration micro and macro narratives. By doing so, it brings to the fore two points of intersection between actors and structures highlighted in chapter IV: the relationship between stories and strategies and the role of the media. We start from the broader setting of institutions interacting, in REACH, and work our way to the narrower, in Shell.

The making of the chemical legislation happened in a supranational arena of decision making including executive and legislative, national and international elements. In other words, technocrats, national governments and democratically elected politicians were involved and had stronger decision power depending on the phase of the process. But, as a brief summary, REACH was in the hands of technocrats, national government representatives and democratically elected politicians. Each of these groups purposely operate under different pressures and ethos and have very specific tasks: proposing laws that address the main concerns of the member states and make technical sense (the implementing of the law is viable); bringing in the national view for consensus making; and representing the diverse interests of nationally based constituencies as well as ideological affiliations. Moreover, many of the actors have changed through the quite long process due to revolving doors, new governments coming to office in member states, and the enlargement of the EU and renewal of Parliament.

The European Commission had a clear task from the Council of Ministers: to produce a new law that could protect the environment based on the precautionary principle and sustainable development. The latter meant a legislation that could foster the development of the industry by strengthening the single market through the harmonisation of rules, as well as promoting incentives for the production of new and safer chemicals. These are, thus, the stories guiding the technocratic work of drafting the law, which involved compiling the general principles to mirror the goals and convening the technical and legal working groups that would design the necessary requirements. Environmental NGOs, working closely with DG Environment, built their own stories intertwined with these ideas, responding directly to the questions the Commission was asking: what are the problems with the old legislation? Where are the gaps that have to be covered? How can one do that in ways that balance economic and environmental concerns? Part of the story, both of the Commission and NGOs, was firmly based on another broader narrative: the scientific paradigm about evidence (or lack thereof) implicit in the precautionary principle and underlying the claims of a causal relationship (chemicals equal environmental destruction) and a quantifiable knowledge gap.

The anti-REACH lobbying, on the other hand, was mainly working on an attempt to prove the legislation unnecessary through initiatives of self-regulation and voluntary research schemes, a narrative that failed to engage with other stories and was focused on the industry self interest. When the White Paper got to the Parliament, the first narratives addressing the legislation (i.e. the Commission story) started to be told by the industry but, at this point, to a very specific audience: members of the pro-business parties, such as the European Peoples Party and European Democrats, particularly from countries where the chemical industry was (and is) strong, like Germany and France. The story, a traditional line on unworkable red tape that kills competitiveness and profits, hurting jobs and the economy, certainly resonated with these MEPs but did not stop the recommendations from the green rapporteur, in tune with the Commission's (and NGOs) goals, from being approved.

The ineffectiveness of the industry story in the Parliament, as well as before the White Paper, is worth a few sentences because it reinforces, rather than weakens, the propositions of this thesis: narratives, in the political arena, are tools that help to legitimate interests and, therefore, less effective when simply mirroring a widely recognised consensus. In other words, while business and their allies are legitimate players, their interests and demands about REACH still have to be legitimised because they stand in opposition to the interests and demands of other legitimate groups. Effective stories, as mentioned before, engage with stories told by other actors but seem to be particularly important when claims are in a route of collision, and this happens both between actors and between institutions. This should not, of course, come as a surprise: the very system of checks and balances of democratic governance, starting with the separation of the executive, legislative and judiciary, aims exactly at preventing the interests of a particular institution from dominating. The conciliation meetings that resulted in REACH were the checks and balances in play: Parliament, insisting on strong environmental protection, and the Council, tending towards fewer burdens on the industry, negotiate a compromise that uses the stories provided by different actors involved in the process. These rounds of dialogue between actors, including inter institutional activity, are therefore part of the process that purports to legitimate not only different claims but also the European Union as a credible and democratic sphere of supranational governance.

By aiming at the pro-industry constituency in the first round of the Parliament, the anti-REACH lobbying was preaching to the converted, at the same time that the narrowness of the story, also present before the White Paper, meant nothing was offered as connecting points that could engage other interests, those that did not share the same claims. This connection started to be built when the Commission began working on the final draft. While the central argument questioning the knowledge gap and the affordability of an overhaul of the system for an important industry remained, the story expanded to touch wider issues and narratives, including the Commission's own stories: the Lisbon Agenda, the European project that was supposedly in danger of being killed by REACH type regulations; the privileging of the 'environment' pillar of sustainable development in detriment of the 'economic' pillar; the adoption of risk and exposure against intrinsic properties and hazard, a key scientific debate; the previous experience of the industry with testing and the mammoth task that threatened to turn REACH into a red tape nightmare. These reached across a range of potential interests and alluded to stories told in the European arenas.

3.1 Numbers

A key component was the use of numbers connected to different stories: numbers about costs and job losses added to the competitiveness story, the number of animals killed by tests touched the animal rights line; and numbers linked to risk, intrinsic properties, hazard and exposure in the story about workability, the latter a direct allusion to the rational scientific foundation of the legislation. While not necessarily leading to the end of a dispute, the use of numbers is particularly valuable because of the quantitative objective and standardization that, Porter argues, are an adaptation and creation of modern political and administrative cultures, a way of implying the subordination of personal interests and prejudices to public standards. "Numbers are the medium through which dissimilar desires, needs and expectations are somehow made commensurable" (Porter 1995, p.86).

Stone (2002) goes further to consider numbers as metaphors, since the act of quantifying something both implies the establishment of recognizable boundaries, and the creation of a natural community, or the need for action. For the greens, numbers from scientific assessments and tests proving that the human blood is impregnated by dozens of dangerous substances showed the causal link between chemicals and environmental/ human health damage, a justification for the demand of further knowledge; for the anti-REACH, it showed the disproportion between costs and benefits. While the Commission’s shared assessment removed doubts about the costs claimed by the industry, the combined local and supranational media reports of a looming recession – an external and contingent story - catalysed their importance and spurred reaction from national governments. In Parliament, where the only truly overarching story is democracy, all these narratives were used in a bid to gain the hearts and votes of undecided MEPs.

In Herceptin, numbers were important because the ‘halving the chance of the cancer returning’ was the figure that gave the drug its aura of a miraculous product that sustained the clinical value story. Herceptin’s main story, however, is not about science but about democracy and its underlying concept of equality. The choice of macro narrative is clearly interconnected with the arena: as described in chapter V, the debate about the public provision of health services in Britain has been characterised since the 1990s by claims of postcode lottery and rationing that clash with the story of equality upon which the NHS, and democracy, are based. This contradiction is seen by patient groups and the media as institutionalised in NICE, a body whose main goal is to make rationing decisions based on a combination of scientific proof and economic soundness.

The main stories told by the charities and the media, therefore, bring the Health Department and Labour narratives into the frame by claiming that Herceptin and its expected delay in reaching patients is yet another example of problems that run deep in the system and require a response from the government. Challenging decisions as based on cost rather than benefits, as well as the unevenness of NHS delivery around the country was central to patient groups’ narratives because both are seen as going against the principles of the NHS and the justification of NICE as the solution for postcode lottery, which are the stories told by the government. But the effectiveness of these narratives is dependent on the strategy of removing the debate from within institutional structures (i.e. appraisal process) because, fought under the overarching narrative of cost-effectiveness that informs NICE, Herceptin had a much smaller chance of an unrestricted and quick approval, which was clearly main goal.

Broadly speaking, stories in Herceptin legitimised patient interests by undermining the legitimacy of the stories the government was telling. Drug approval in Britain, according to cancer charities, is a paradox: set up to fix the postcode lottery and speed the process of getting drugs to patients, NICE does not do the job because it is also trying to save money for the government – emphasising the cost instead of the effectiveness. ‘Evidence’ was provided by a list of drugs that would be delayed by NICE, an Audit Commission report about incompetent local authorities and European research funded by Roche on slow uptake of drugs in Europe. The intense media coverage of young women battling breast cancer, on the other hand, was essential not least because losing the battle seemed to be clearly linked to the variation of care among local authorities which, even more shameful, reflect income and social inequalities impacting the poorest and most dependent on NHS funding. As the media frenzy escalated, Hewitt’s responses evolved accordingly: first a promise of quick appraisal, then a promise of approval, and lastly a promise of approval and payment.

The media, by providing snapshots of the real devastating effects of these ‘conflicts of interests’ in play, is fundamental for the success of the patient groups’ narratives. This, however, could not be guaranteed from the start: the risk of using the media as an arena is the unpredictability about the story lines that will be developed. A different outcome could be expected had the media engaged with other aspects of drug approval and funding, such as the fact that careful assessment of drugs is also in the interest of patients or that superficial scrutiny can be in the interest of the pharmaceutical industry. The omission of a more analytical tone is even more puzzling given the very recent inquiry of the House of Commons about the influence of the Pharmaceutical Industry, in which patient groups, ghost writing practices and the role of scientific publications were debated. When scrutiny about the very representation of Herceptin as the wonder drug and the apparent consensus about it appeared in broadsheets, approval was imminent.

The role of the courts in Herceptin is as symbolic as numbers in REACH because, in modern democracies, law and science are “the two social institutions that are in their own fashion charged with arbitrating disputes about causal theories” (Stone 1989). The first cases were settled outside the courts, but Ann Marie Rogers High Court appeal over Swindon NHS Primary Care Trust is a proof of how stories matters beyond a transient media crisis: the legal argument only existed because of the political interference in the case. Patricia Hewitt’s story, a clear attempt to steer away from the stigma of NICE as a rationing body, was about making sure that PCTs did not refer to costs if denying treatment. When Swindon tried to justify its decisions on ‘exceptional circumstances’ but not on cost and was not able to explain what were the characteristics that could justify the distinction among patients within the eligible group, it lost the case.

The looming presence of the law is one characteristic that Herceptin shares with the Shell episode: the others are the media as arena and numbers as the starting point. Unlike Herceptin, however, the numbers in question are at the centre of Shell's discredited narrative, the financial media is an arena that does not operate with alternative stories and the spectre of law worked as a hindrance, not a facilitator, to Shell's new narratives. This is so because the stock market is a particular arena: on the one hand, the perfect market functions with a constant flow of information(Golding 2000), with financial newspapers and analysts working as a vehicle for these exchanges (Froud, Johal et al. 2006); on the other, legal requirements, overseen by regulators, prescribe the disclosure of information and safeguard investors' interests. The maximisation of shareholder value, the overarching story, is the collective aim.

In other words, while Shell's difficulties in building a convincing story are connected to the ingredients at hand, as greedy bookings and hidden mistakes are damning and complicated by fear of regulators, the very existence of these ingredients is related to the arena where the episode takes place. Failure to gauge oil reserves accurately or to inform about changes in previous measurements is only an offence in equity markets, where particular rules for information disclosure are in place. And they are in place to protect investors' interests against the interests of managers, a mechanism to prevent shareholders from being undermined by insiders. The very creation of the SEC in the early 1930s, with its standardised accounting and reporting rules that could expose fraudulent misrepresentation, was a move to restore trust and to lift investor confidence after the stock market crash (Seligman 1982).

Given the arena and its stories, investors' central argument was not about the case (the reserves), whose scientific reliability (and hence soundness as an investment yardstick) had been long questioned, but the fact that investors' interests were not being looked after by Shell's boards. The need to strengthen the role and accountability of the chief executive, with more shareholder involvement in surveillance, rather than changing the way reserves are recorded or audited, was their main demand. When senior executives were ousted and the good faith claim was dropped, investors' narrative was not about a possible fraud but a complaint about a company run as a 'closed shop'. When Shell promises a review of its governance, its failure to disclose the names of the executives involved is portrayed as 'minimal levels of disclosure'. The construction of investors' interests as clashing with Shell's interests is what gives investors' narrative its eventual power, even though the Dutch were not onboard until the very end. The recurrent feature here is that Shell, once again, had no story with which to respond to these accusations

Shell's lack of engagement with the narrative being told by investors, a narrative about management accountability and investors interests, is puzzling. If the fear of legal action and the confidentiality required during regulators' investigations were certainly valid reasons to be reticent about the reserves, there was little hindering Shell from addressing the demands for the unification of its boards with an engaging narrative, be it trying to show that appropriate checks and balances were in place, proposing an alternative plan that could give stronger shareholder oversight while keeping the two boards or simply providing an elaborated version about committees working on the subject before being publicly harassed about it. In other words, the downgrade of the reserves and revelations about wrongdoing involving top executives wiped Shell's credibility but it was probably its completely incompetent handling of shareholders' narratives that cost Shell its dual board, since it proved investors' point about whose interests were being served within the corporation. The narrative told by investors, on the other hand, was particularly strong because of its clear connection with the arena's own stories and hierarchies.

In other words, Knight's story passed the tests of coherence and fidelity described by Fisher (1987): his narrative made sense both in relation to the broad story that informs and legitimates the stock market and matched the beliefs of the audiences they were being told to. In REACH, stories were developed to connect with the different narratives informing actors and arenas involved in the decision making process: stories that worked in the Council were quite different from the narratives that were effective in the Parliament. The removal of the debate from NICE to the media in Herceptin, on the other hand, was strategically planned to provide a more hospitable environment and audience to the stories that were going to be told: under the overarching narrative of cost-effectiveness that inform NICE, staffed by appraisal members wearing a 'population hat' rather than the 'individual patient hat', the drug had a much smaller chance of an unrestricted and quick approval. In the media, the story could interconnect with issues related to democracy and (in) equality instead, bringing citizens, and their indignation, to the debate.

Removing the storytelling from a particular setting and using the media as arena, therefore, allows the story to be linked to broader issues that would not be available in the original institutional setting. There is, however, a risk that the tactic backfires if the media, ultimately largely out of control of corporations or other actors, brings insights that are detrimental to the narrative. In the stock market this seems to be different (Davis 2000) partially because the financial media shares the beliefs of the arena: the narratives about its own existence overlap with stories about the need to protect shareholder institutionalised by bodies such as the FSA and the SEC.

Effective stories, therefore, evolve as the episode unfolds, in a constant engagement with narratives presented by other actors, and have a stronger impact when able to engage with clashing narratives. The scope for this engagement expands when stories intersect with narratives relevant to the arena where the episode is taking place. The next section examines these findings in the light of the academic literature that informed this thesis, drawing some conclusions about what stories can add to our understanding of business representation.

4. Stories in perspective

Two bodies of literature that have been portraying the evolution of business representation in the past three decades are central to this thesis: one, referred to as the 'political science' view, focuses on the mapping of institutional structures and on the political tactics that can work in favour of business interests in these various arenas; the other is a cultural economy approach in which a strong emphasis on narratives and on how reality is framed by them is applied to the analysis of the interactions between giant firms and the stock market, particularly after rhetoric of shareholder value. For the former, the entrance of corporations as active political actors in charge of their own representation (Moran 2006), a shift from more informal and discreet attempts to influence policy making that characterised the previous decades (Grant 1984), has opened new avenues for action, with alliance building and the subtle control of collective channels becoming useful tools for achieving corporate goals (Coen 1997; Coen and Willman 1998). The latter, on the other hand, argues that corporate storytelling, the building of narratives of purpose and achievement corroborated by numbers, are fundamental for the management of the stock market, an arena prone to representational difficulties as the task of consistent and optimal performance is largely unrealistic (Froud, Johal et al. 2006).

The next step has to be the questioning of how the idea of stories as a tool of business representation, and used to respond to external criticism and legitimate particular demands, relates to this knowledge. This becomes even more pointed when the case studies analysed above, to a great extent, corroborate what both scholarships have already highlighted. Why do we need stories to understand the business representation of giant firms and what can stories show that we could not see before? The short answer is that stories are at the core of the process which builds what, in its final form, is called ‘alliances’, ‘ad hoc coalitions’, ‘issue-specific business roundtables’ and even, to some extent, collective bodies of representation. It involves firms, investors, analysts and journalists, but also interest groups, states, regulators, parliamentarians, academics, technocrats and the courts. Whilst parts of the puzzle are indeed present in existing academic literature, the fragmentation of the analysis in cross/sub disciplinary niches makes the connections between the pieces harder to spot.

In chapter III, it was argued that stories bring actors and structures together because, to some extent, it is through this very public exchange of narratives that power is negotiated in public spheres. It is in these conscious attempts to reach actors with different interests and claims, finding overlapping issues and/or fending off criticism, that stories (and the interests they reflect) are legitimised as the result of a public negotiation rather than a top down exercise of corporate clout. Given the process and purpose, it is unlikely that stories that simply reproduce corporate demands can achieve desirable results without being heavily, and publicly, challenged. Hence the efforts to associate corporate interests, and claims, with those of actors that are not natural allies, particularly in political arenas such as the European Union.

Alliances and coalitions, however, despite their clear strategic nature, are not simply the result of DIY corporate manipulation but an amalgamation of shared interests that only become ‘visible’ through narratives. In REACH, the most useful alliances were not the highly resourced and established transatlantic coalition, whose story of choking costs and trade barriers were partially deflected by the Commission itself, but the links with animal rights groups and downstream users (SMEs) that, in regular times, are far from having a harmonious relationship with the industry. Considering the animal testing coalition ‘unholy’, however, misses the point because even if the argument might be considered a bit too cynical for an industry accused of destroying a substantial part of the planet's wild life, the overlap of interests – fewer tests – genuinely exists. The difference is that one group wanted to save lab animals and the other millions of dollars. The SMEs coalition is even more interesting because it showed that the 'colonisation' of minor interests (Bennet 1997; Cowles 1998; Grant 2000) inside associations by giant firms is also a relative point: with small and medium enterprises recognised as the only weak link in the story of the legislation, the position of the downstream users in the coalition was not at all subservient to the handful of giant corporations coordinating the effort. The SME story, which held the key to further concessions by the Commission, changed the story of states, of the Council and of CEFIC.

Stories can also be connected to another insight of the political science literature corroborated by the case studies reviewed here: the usefulness of *ad hoc* alliances (Coen 1997; Coen and Grant 2001). But while the literature does not strongly distinguish between the different types of alliances, the analysis of narratives points at a higher effectiveness of coalitions formed between groups whose interests generally differ quite markedly. This also corroborates the proposition that stories shared with antagonists dilute the self-interest component that plagues business representation. In Herceptin, the success of the episode rests clearly on the perceived independence of patient groups from corporate ties. If the interest of patient groups in the approval of drugs in general is recognised as legitimate and their involvement in drug appraisals even encouraged, their credibility is severely compromised when a too close alignment with the industry is exposed. This would turn the episode from the sharing of a particular narrative about a particular (and maybe exceptional) drug to a permanent partnership.

Shell, in a completely different way, also offers a glimpse into the close relationship between stories and alliances because the use of the media as a traditional tool of shareholder activism has a dual purpose: to weaken the credibility of the firm (i.e. to publicly attack its stories) and to publicise investors' own narrative in a bid to attract allies (i.e. form investors' coalitions) in time for a particular action, such as proxy voting. Eric Knight's well-timed appearances in widely-read financial newspapers had the main purpose of reinforcing his story both in response to a new development (e.g. new reserves downgrade, sacking of top executives) or in preparation for events in which investors needed to close ranks, with the final aim of convincing the Dutch to join the fight.

This is not to say that alliances are only strong if the narratives they created/are created by are also strong. It is undeniable that CEFIC is a powerful political player even when its stories come across as weak, an argument at the centre of the ‘structural power’ proponents (Bachrach and Baratz 1962): because the fate of corporations matters to the well-being of actors in charge of policy making, generally states but also supranational bodies, there is a ‘natural’ tendency to benefit business *vis-à-vis* other interests. Looking at both REACH and Herceptin, the answer to this is yes, and no. In the chemical legislation, the largest watering down of the original text happened through the Council when the Commission was finalising the draft, in a public push from national states. This led to a weakening of test requirements and the inclusion of a larger number of actors inside the Commission and Council to give opinion on the draft (e.g. competitiveness council, internal affairs, etc).

There is, however, an important point here: the initiator of the legislation and arena requiring the use of the precautionary principle was the same Council of Ministers that, later, was caught in an internal division led by Germany. This is relevant because of two factors that relate to stories. The first one is the fallacy about the unity of interests within arenas. The Council of Ministers is a body of 27 countries (in the beginning of REACH, 15) in which the chemical industry, the environmental movement and the animal rights have different levels of access and importance. Therefore, it is unlikely that the doom and gloom about costs could have the same impact on representatives attending meetings in Brussels.

It is exactly because interests are diverse that it was important to broaden the story portraying REACH as affecting not only the chemical industry but other sectors, hindering a wider European project, killing an unacceptable number of animals, or as an example of the lies and lack of knowledge of giant corporations. The broadening offered links that appealed not only to Parliamentarians and technocrats but also to audiences that matter at national level, triggering fairly varied reactions. The UK, Germany and France sent a clear sign that the industry was able to mobilise key national governments. But the UK was also the country that hosted the meeting that triggered the legislation and proposed the technical solution that moved the negotiation out of deadlock without reducing the data requirements while holding the presidency of the Council in 1998 and 2005. Considering the interests and stories of arenas as monolithic and self reproducing seems unwise.

The second related point connects to both the idea of self-reproduction of interests and stories because the precautionary principle, at the centre of the industry fury since it justifies the substitution and ban of substances, is in itself a story that have become legitimate in the European Union thanks to the strength of the green narrative represented by NGOs and national environmental ministers. Before narratives about melting glaciers and dying polar bears started to be told by these groups, environment concerns would not stand on the way of industrial development in most parts of the world, including progressive Europe. With the turning of these stories into a legitimate interest around the urgent need of protecting the planet, shared by a whole spectrum of actors, business has to argue its own interests against this concern, which is institutionally embodied in governance institutions like the DG Environment. In the US, professionals like Frank Luntz, the communications guru cited in the introduction of the thesis, helped to create counter narratives that influenced the environmental debate in different ways, avoiding this particular policy shift so far. The terms of the debate, however, are in constant movement through the stories actors tells. Without stories, these interactions look from the outside as simply the result of business 'structural' power inside institutions and the explanation about why green David could knock down the chemical industry Goliath in its priority point on substitution and banning of substances remains unclear.

Stories are therefore important because they expose a range of actors that are often seen as the 'arena' or combined as one inside them: in the stock market, cultural economists pointed out, there are not only firms and investors but also journalists and analysts (Froud, Johal et al. 2006). But they are not the only actors that are actively, and discursively, operating in equity markets. In Shell, to keep to the arena in question, there were 'activist' investors, conservative Dutch pension funds, regulators in the US, UK and the Netherlands, courts and lawyers, as well as the US Congress, all of them picking, choosing, and combining different stories to create their own. In Herceptin, tabloids, patient groups and the government were at the forefront of the debate but narratives that were central to the case came from an Audit Commission in London, academics in Sweden, Roche headquarters in Switzerland, independent scientists in the US and continental Europe and a dying woman in Swindon.

The wide variety of actors and arenas involved in story telling and the often unnoticeable links among then, in turn, expands the coupling between narratives and long lasting consequences that caught the attention of cultural economists. In Shell, this is obvious with the unification of the boards and scraping of the Dutch priority shares, but also with the triggering of the first review of SEC's criteria to report oil reserves in more than 30 years. The hearing conducted by Michael Oxley at the US House Committee on Financial Services is certainly part of the move that involved pretty much the same actors that told stories during the crisis. In Herceptin, the creation of a legal argument by the government story meant the loss of the legal battle by Swindon with at least two unfortunate consequences: the portrayal of PCT's decisions as 'irrational'; and the thousands of pounds in legal costs, which can also have an impact on the way future disputes with patients and patient groups in the absence of NICE guidance are handled. The late exposure of industry friendly patient groups and PR companies in the episode has also renewed the debate about funding rules for charities and the use of ghost writing, but so far without much institutional intervention. In REACH the process is ongoing but the engagement with the SMEs' narrative has to some extent changed the relationship between CEFIC and downstream users because, to play the role the episode demanded, the federation had to turn the discursive overlap into a permanent working group. The negotiations, with amendments still taking place, means there is no possible way out at least until the whole process is finished, in a few years' time.

Inserting stories into the analysis of business representation, thus, brings together actors and arenas in a way that goes undetected without them.

Conclusion

In the introduction to this chapter, three puzzles raised by the empirical work were outlined: how actors with less political and economic 'capital' are increasingly more influent in policy making arenas; how this democratisation can also work in business' favour; and how institutions with an excess of these types of 'capital' may be forced to change their functioning because of external interference. The answers to these lie in how well these actors are able to manage their stories. This, in turn, suggests that narratives have become a structural feature that enables different actors to intervene in public arenas where business has to represent itself.

The implication of these findings for how we understand the nature and limits of business power in democratic capitalism is important. While the insertion of competing narratives of a type that were excluded from the debate until recently does not imply an immediate ‘gain’ or ‘loss’ of power by any actor, their very existence has two consequences: the first is the need for a constant engagement with other stories and the dire consequences of their mismanagement; the second is the fact the stories that finish a round of conflict are different from the stories that started it. This, in turn, changes the opening of the next round. As the process continues, new narratives become legitimate and overall power patters may shift. Stories and their intersections, therefore, shed light not only on how particular disputes are won or lost but also on how the broader narratives that inform institutional arenas and, ultimately capitalism, are to some extent a result of smaller scale negotiations among actors and stories seeking legitimacy.

This chapter also connects to broader issues of the thesis. It is towards these that we turn next in a short conclusion.

Conclusion: What stories are telling us

The starting point of this thesis was a suggestion that the representation of giant corporations can be thought of in terms of stories. The question proposed was a simple one: how can stories help firms achieve their political and economic goals under the watchful eyes of an audience increasingly wary of big business and its power? But taking stories as an important part of the process that legitimates business and its interests should not be confused with claims that corporate power is solely created and sustained through narratives. The idea was rather that bringing to the fore an ingredient that is often dismissed as a nicety can add depth to our understanding of business representation and the changes it has undergone in the past three decades.

Two theoretical approaches analysing business representation were brought into dialogue: a political science view focused on the mapping of institutional structures and on the political tactics that can work effectively in these various arenas; and a cultural economy scholarship in which there is a strong emphasis on narratives and how reality is framed by them. A meta-analysis of their accounts of the relationship between agency and structure revealed a portrait of business representation in which constant communication among a growing number of actors is unavoidable. This, in turn, paved the way to a main claim of this work: this discursive engagement happens through the exchange of stories that bring arenas and actors together in a public negotiation of power.

Actors and arenas have interests and beliefs in constant evolution but it is through narratives that they legitimate their demands, creating new sets of interests and structures in the process. The arrival of new actors and the increasingly recognised legitimacy of their interests are, thus, directly connected to their new found capacity to discursively access previously closed circuits, firstly through the media and subsequently through institutionalised channels created in response to their stories of democratic deficit and dominance of illegitimate interests. Whether these particular organisations and interest groups that have become able to influence the debate are in themselves legitimate for such a role is certainly an important issue but not the focus of this thesis. Here we go as far as to credit their narratives as an effective tool for acquiring and subsequently negotiating power. In short, stories have become a structural feature enabling all actors operating in public spheres.

For business, this represents both a challenge and an opportunity. A challenge because issues that had been previously debated and decided amongst elite players by a variety of means have become public and open to contestation through narratives, forcing changes in the way corporations deal with their representation and demanding constant monitoring and engagement; an opportunity because stories can also be used as a tool to manage and reconcile some of the conflicts between capitalist economic power and political democracy by allowing the public scrutiny of influential and largely independent actors. If successful, this is a process from which business accountability and further legitimacy is obtained. Moreover, stories are able to help business to achieve particular objectives at micro level.

The empirical work developed in the second part of the thesis arrived at two findings that are particularly relevant for our understanding of this process: effective stories of business representation are not structured plots with a beginning, middle and end but are rather a set of arguments developed in different directions; these directions, in turn, depend on the narratives told by other actors. In a nutshell, stories provide elements that can be combined and reassembled and to which other actors can relate. Narratives develop through the engagement with elements provided by other players and include the stories that inform the arena where the negotiation takes place. Stories, therefore, have to make sense both in relation to the beliefs of the audience involved in the negotiation and in relation to the values that are hierarchically superior in the arena in question.

Answers about some of the characteristics that make stories of business representation strong, however, trigger an inevitable return to the three propositions of this work: corporate narratives attempt to convince by projecting accountability and social worth; they take into consideration audience and arena because of the different functions stories perform in each arena; and a breakdown of narratives leads to crisis and impairs the construction of new stories. All three assumptions are corroborated by the findings, but some points are worth mentioning. Corporate narratives are certainly an attempt to project accountability and social worth, but these are obtained both by the 'fabula' or storyline in itself and by the process of negotiation that the existence of different actors and stories sets in motion. This is one of the reasons why stories of business representation differ from marketing and advertisement and why self-interested and self-contained narratives, the traditional lobbying aimed at particular interlocutors, seem to be less efficient. Gaining legitimacy is different from buying market share by advertisement. On the one hand, open ended business stories offer contact points that can be taken and developed in directions that may eventually benefit the corporation, but can also work against it. The contingency of the process is partially what makes stories a valuable tool. On the other hand, the process of slicing a main interest into a series of malleable narratives is important because it opens the possibility of new alliances and the recognition of overlapping positions much more likely than if actors had to agree with each other on the whole ‘package’.

In REACH, there were a few examples of this partial agreement through stories: the workability narrative was shared by most players, independently on whether they wanted a stronger or weaker legislation; trade unions shared narratives about costs and endangered competitiveness of SMEs with the anti-REACH faction but were also co-authoring narratives about the health benefits of the legislation with the pro-REACH groups; the chemical industry and the animal rights had a common story about tests. In Shell, a different arena, the conversion of the Dutch was clearly not a result of an agreement about the unsuitable behaviour of Shell when booking the reserves or about the need to unify the boards *per se* but on the lack of public engagement with investors that went on despite Eric Knight’s nagging narrative. This story, in turn, was directly linked to the recognised primacy of investors’ interests in the stock market.

In this light, the second proposition about the need to consider actors and structures when building stories, which is fully corroborated by the empirical work, can be developed further. The case studies made clear that taking into account audiences and arenas was particularly important because it widened the scope for interaction, offering possible contact points with a larger array of interlocutors, not least the ones in charge of making decisions. The use of media as arena has the same kind of underlying principle because it means the removal of the negotiation from a particular set of stories and rationalities to one with ethos and participants that are more likely to engage with the narrative in a positive way. Herceptin is the obvious example of how this can work in favour of particular stories: democracy and equality are much more suitable overarching narratives under which to discuss postcode lottery and rationing than the cost-effectiveness story that oversees NICE appraisals.

Conversely, the virtual impossibility of removing the discussion from the media is a substantial problem for business operating in economic arenas. Working as the channel of information between corporations and the market and in itself a creation of the overriding narrative of the need to protect shareholders, the financial media mirrors the values and ideas of the arena and, as a consequence, restricts the scope of stories that can be told. For the same reason (i.e. well defined overarching interest), the engagement with actors that do not share the same goals of investors is of very little help in the stock market, a stark contrast with governance arenas looking for a sample of legitimate views.

In REACH, stories shared by the chemical industry with animal rights groups and SMEs, two actors generally wary of big business, were particularly useful. But narratives of self-regulation and choking costs that informed the early stages of the legislation, shared by pro-business politicians, did not produce the desirable effect, suggesting that stories in political arenas are more effective when they bring together actors whose interests do not routinely overlap. This relates to the idea that stories legitimate different things in political and economic arenas – business demands *vis-à-vis* other actors' demands in the former, and management decisions in relation to alternative action in the latter. The components that strengthen narratives, however, are similar in both: keeping the negotiation flowing through actively engaging with other narratives, sharing or refuting their claims, are crucial in relation to governance arenas and to the stock market. In Shell, the lack of a story taking into consideration the narratives told by other actors restrained further the corporation's ability to restore some credibility, at the same time that provided ammunition for the accusations of not listening to investors and operating as a closed shop.

In relation to the third proposition about crises, the difference between arenas is again relevant and, once more, the particularities of the financial media are mainly a problem for corporations. In Herceptin, focusing on postcode lottery and rationing through the media not only removed the issue from an inhospitable environment (i.e. NICE) but turned the spotlight on the government, leaving Roche and the price of cancer drugs out of reach of public outcry. The government, not the firm, was the actor forced into mediated justification. As Hewitt's stories started to be rebutted by narratives told by patient charities, a minor scale crisis was created, leading to the populist concessions regarding the drug. Bowing to the demands, on the other hand, relieved the pressure from NICE. In the stock market, the process is different not least because the announcement of the breakdown is (or should be) made by the storyteller. It is not simply about having a story contested by competing narratives but actually admitting the problem. Moreover, given the homogeneous nature of the arena (and the media), a *faux pas* tends to be acknowledged as such, and punished, by most of the actors involved. The result is an instantaneous (and herd-like) negative response.

Rebuilding trust when story and storyteller are discredited makes matters worse and requires an even stronger engagement with the narratives other actors are voicing thereafter. The Health Secretary made sure her interlocutors knew she was aware of their demands and, eventually, willing to accept them. This was lacking in the Shell case. Central to the problem was clearly the fact that the previous story about the reserves was allowed to be retold time and time again even when it was known to be untrue by top executives, but the lack of a narrative about the mistakes and of a clear engagement with the stories other actors were telling seemed to have played a crucial role in fuelling the crisis.

Taken together, these findings make a contribution to the literature of business representation and power in contemporary capitalism by considering stories of business representation as part and parcel of the process that moves this project constantly under construction. In a nutshell, this thesis is about the interactions between politics and economics and the cultural foundation of this relationship. The combination of these ingredients adds depth to the analysis of the nature and limits of business power and opens an avenue for the study of episodes that, under more orthodox examination, could only be partially understood, or would not be seen as examples of business representation. REACH is a case in which a costly legislation is watered down by a powerful and well organised business sector, but a traditional analysis would offer little insight into why this massive lobbying machine took a significant period of time to successfully dilute part of the legislation and ultimately failed to achieve a complete victory against much weaker opponents that were not even a part of policy making processes until recently.

Without stories, Herceptin would perhaps not be considered a case of business representation at all. With traditional lenses turned to power negotiations between officials in Whitehall and the Association of the British Pharmaceutical Industry, episodes such as Relenza were more likely to provide an illustration of the ongoing arm wrestling between these two actors. While this relationship is surely a crucial part of the picture, Herceptin amounts to what a significant part of business representation is about: helping a firm to make profits while appearing to perform its social duties at the highest level. Despite happening completely outside traditional power frameworks, being able to share stories with other actors had a clear effect on what could be achieved by Roche, with less damage to its image than the usual threats to leave the country if price demands are not met.

By showing how stories can be used as a strategic tool, this thesis also contributes to a growing literature on the use of narratives to influence behaviour. So far, this scholarship has focused intently on state narratives, particularly the impact of stories in policy making process and the functioning of markets, but less attention been paid to the use of stories by giant corporations, key actors directly involved in both settings. This is a gap that this work helps to bridge. Moreover, the analysis of the micro narratives used by a central capitalist actor indirectly contributes to the understanding of not only how particular disputes are won or lost but also how the broader narratives that inform institutional arenas influence (and are influenced by) these negotiations.

There are, conversely, clear limitations to this work. The bigger, discussed in detail in chapter III, is the use of case studies in a hope to build a general explanation about the process of constructing stories in complex settings. The choice was to use fundamentally different cases, arriving at a combination of arenas, actors and results united by the existence of narratives. These are, nevertheless, still snapshots of interactions that are to some extent contingent on the sectors and corporations chosen. In the same way, the examination of crisis was limited to one of the two arenas considered in this work, partially because of the time constraints that a 3 year PhD training entails. The 'mini-crisis' created by the breakdown of Patricia Hewitt's stories does offer some interesting points about crisis in political arenas, as well as some insight into the manipulation of opinion in democratic structures, but the pressure was not being applied on the corporation, which changes the dynamics.

This suggests that further research can and should be pursued. The framework in itself can be developed by the analysis of new case studies, including episodes in which giant firms are involved in crises taking place in political arenas. The recent explosion of the Deepwater Horizon drilling rig and subsequent crisis that plunged British Petroleum, a company that once defined itself as beyond petroleum, for instance, is a potential case. Operating in 'deep sea energy exploration', as Frank Luntz (again) has rephrased offshore drilling in the US, BP was led by a CEO (Tony Hayward) who, in 2007, when assuming the top spot at the British corporation, told a story of "laser-like focus on safety and reliability".

The ongoing episode, considered the largest marine oil spill in the history of the industry, has some of the ingredients for a firm-changing PR disaster that resemble Shell's own: a CEO whose rowdy comments on the episode incensed the Americans and, therefore, is already in his way out; an unflattering record of more than 700 violations of health and safety over the last three years; and a wobbly story with very little answers about what has happened (Tony Hayward supposedly repeated the phrase 'I do not know' more than 60 times during a congressional testimony in June). These problems are overseen by a fierce dispute around offshore drilling between democrats (generally against it) and republicans (in favour of). This combination of factors can offer further insights into the process of creating stories that engage with very different actors while weathering a full mediated crisis.

Another potential case would be of a corporation that has been able to reinvent itself amidst a political crisis. The recent financial crisis is the episode in mind and a bank, Goldman Sachs, the most obvious choice of case study. Goldman has managed to benefit from the initial subprime crisis and, after the virtual disappearance of investment banking in the US, turned itself into a traditional bank holding company posting record profits. Its representation has involved a multitude of actors, arenas and narratives – politicians in a public witch hunt, investors wary of banks of any kind, regulators punishing disclosure problems, lawmakers discussing strict regulation and citizens expecting the end of the bonus culture, to name just a few – that would be suitable for the framework developed in this thesis.

But a conceptualisation that brings together political science work on actors and interests and cultural economic analyses of narratives can also function as a base upon which a new research agenda is built. The financial crisis and current regulatory efforts are a potential starting point for empirical work looking for a new kind of understanding of how business and government interests operate in the political and technical frameworks that shape markets, which are typically associated with narratives that explain and legitimise the purpose and achievement of finance and its regulation. This would be particular interesting for the analysis of both the processes that led to the breakdown of the final system and to the understanding of its aftermath, particularly the intense regulatory effort that has mobilised elite players around the world since 2008.

Annexe 1

Drug Development of New Molecular Entity (NME)

Target Selection	Selection of compound for development
Pre-clinical and non-clinical phase	Animal and bench testing before administration to humans Start of tests which run concurrently with exposure to humans
Phase I	First Time In Man (FTIM) - the first study of a new compound in humans, usually healthy volunteers
Phase II – Proof of concept (PoC)	First Time In Man (FTIM) - the first study of a new compound in humans, usually healthy volunteers
Phase III	Studies in a large population to generate safety and efficacy data for licence application
License application	Filing all data to regulatory bodies, known as Marketing Authorisation Application in Europe
Phase IV	Post-marketing studies, usually focusing on side-effects and safety

Source: GSK Memorandum for the Select Committee on Health

Annexe 2

NICE Appraisal Process

Draft of written consultation	Scope for technology appraisal or clinical guideline
Invitation of stakeholders to take part	Start of the development of a piece of guidance to discuss the scope, approach to assembling the evidence base and key issues to be addressed
Consultation of Evidence	Stakeholders are given the opportunity to complement the evidence base to be analysed by the advisory body
Written consultation	Advisory body views on the draft recommendation are issued twice in the case of clinical deadlines and once during technology appraisal guidance. Comments of stakeholders are published on the website
Appeal	Stakeholders are allowed to submit an appeal on the grounds that the Institute has exceeded its powers, or has failed to follow its process or that the guidance is perverse

Source: NICE website

List of Interviews

Interview 1 – European Commission civil servant – Telephone interview, December 2008

Interview 2 – European Commission senior civil servant – Brussels, January 2009

Interview 3 – European Commission civil servant – Brussels, January 2009

Interview 4 – Environmental NGO senior European policy executive – Brussels, January 2009

Interview 5 – REACH lobbying coordinator for the industry – Brussels, January 2009

Interview 6 – Director of a consultancy firm working on the industry campaign – Brussels, January 2009

Interview 7 – Environmental NGO coordinator of the advocacy campaign – Telephone interview, January 2009

Interview 8 – Health Economics consultant and member of Scottish Medicines Consortium – Buxton, March 2009

Interview 9 – Pharmacist and former medical writer – Manchester, March 2009

Interview 10 – Chairman of a large patient group and member of NICE – Oxford, March 2009

Interview 11 – Senior executive in charge of financial planning in a Plc – London, March 2007

Interview 12 – Senior executive in charge of investor relations in a Plc – London, March 2007

Interview 13 – Senior executive in charge of financial analysis in a Plc – London, March 2007

Interview 14 - Former senior executive in charge of Communications and Marketing at Shell – Telephone interview in October 2008

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