FRAMEWORK FOR THE ANALYSIS OF CORPORATE POLITICAL STRATEGIES PERTINENT TO REGULATION: A RELATIONAL PERSPECTIVE

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Abstract

As energy sector firms belong to a regulated industry, their management faces significant challenges. In this kind of business environment it is very important to develop political strategies. Defining political strategy as the set of actions that firms plan and undertake in order to maximize economic returns from the political environment (Bonardi & Keim, 2005; Oliver & Holzinger, 2000; Schuler, 1996), and focusing specifically on actions whose aim is to influence the regulatory environment, the purpose of the broader research at issue in this article is to contribute to studies of the strategic managment of firms that engage in alliances and networks in regulated industries. Its objective is to develop and apply an analytical framework with a relational perspective, involving a methodology, constructs and model, in the context of a multiple case study, whose results can be used to support the strategic management of firms with the characteristics cited. The aim of this article is to propose a preliminary framework based on a thorough bibilographical review, participant observation in a leading Brazilian electricity distributor, and validating interviews with experts and executives from the sector.

Keywords: Political Strategy, Regulation, Regulated Industries, Relational Perspective

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INTRODUCTION

The energy sector currently holds a special place in the preoccupations of governments, investors, professionals of the most diverse areas and the population at large. This sector's firms are at a crucial moment in which patterns of supply and consumption are patently unsustainable (International Energy Agency, 2008). Because of uncertainties regarding production and consumption, governments and their actions that aim at mitigating climate change impacts will play a fundamental role in modelling the future of the energy sector (International Energy Agency, 2010). Despite the complicated worldwide economic scenario since 2008 that sector has continuously being pressured.

In this context, and taking into account the high degree of regulation embedded in it, there are significant implications for the firm´s strategy management. The regulatory environment is understood to be a set of institutional actors - whose central body is the regulatory agency - deploying legal and regulatory instruments (formal acts of the regulator) and interacting with public and private agents.

The legal and regulatory framework exercises a strong influence on the management, and consequently the performance, of firms under its jurisdiction. Regulation affects all economic sectors to a greater or lesser extent, but the so-called regulated industries (telecommunications, electricity, water, oil and gas and banking) are subject to significant degrees of political intervention and risk (García-Canal & Guillén, 2008). Thus, the need arises for firms in the latter type of industry to engage in political action, that is, to elaborate and implement political strategies. For the purposes of this study, political strategy is defined as the set of actions that firms plan and execute in order to maximize economic returns from the political environment (Oliver & Holzinger, 2008).

In the case of the Brazilian electricity sector, which is the focus of the study at issue in this article, the control of some public utilities was transferred to the private sector before fully establishing a regulatory system – a deficiency that, as yet, has not been completely addressed. If ever will be, considering that a regulatory environment is to be continuously improving.

Faced with this environment, firms seek to establish alliances with firms in their network of relationships to contribute to their political strategies. The strategic orchestration of these movements is no easy task and indubitably needs models that privilege a relational view. Traditional management models, in other words, that do not consider the relational characteristics of the linkages between actors in firms' value nets have severe limitations. In sum, the problem posed by the broader research is how to formulate and carry out political strategies regarding Brazilian electricity distribution sector regulation, considering the strategic implications of the linkages established by firms in this sector, that can contribute to bettter firm performance.

The wider research´s main aim is to propose an analytical framework with a relational perspective that can support the management of political strategies designed to influence the regulatory environment. The specific objective of this article is to present a first version of this framework that includes a methodology (step by step), lists of variables and a model, in the sense of a map. The framework seeks to help managers analyze the strategic implications of factors pertinent to political strategies aimed at influencing the regulatory environment of firms that engage in alliance/linkage networks. Considering the latter, these implications could not be identified by means of traditional (non-relational) analyses.

METHODOLOGY

The review of the literature was undertaken in accordance with the methodology proposed by Villas, Macedo-Soares and Russo (2008), and covered the following: institutional theory, agency theory, stakeholder theory, network theory, the theory of collective action and positive political theory. As a "backdrop", the research also reviewed the strategic management literature from its beginnings - in order to understand the evolution of knowledge in this field - until the appearance of the relational perspective, and the literature pertaining to strategic alliances and networks. The research reviewed models of relational strategic analysis with a view to identifying variables, constructs and indicators pertinent to the political and regulatory dimensions.

The literature review also included analyses of investigations into the strategic management of firms in the public utility sector, in general, and the electricity sector, in particular, focused on political strategies pertinent to regulatory environments. In sum, the review was conducted along the following axes: i) theoretical bases; ii) political strategies; iii) non-relational ("traditional") and relational models of strategic analysis; and iv) strategic management in regulated industries, especially in the electricity sector. Besides, in order to enriching the results of the literature review and to contributing to the preliminary framework proposed here, the study incorporated also the results of participant observation undertaken by one of the authors during a year's consulting work in the regulatory area of a large electricity distributor in Brazil.

At last, previous to the development of a multiple case study which is going to be developed in the next steps of the study, a preliminary validation of the proposed framework took place. To do so, a total of eight interviews were accomplished with the sector´s experts and executives. By means of a semi-structured questionnaire, the data collected contributed to refine the previous proposed framework.

THEORETICAL REFERENCES

The political strategy literature is rich in terms of theory but contains few empirical studies, showing that there is still a vast field to be researched. Two theories constitute a point of departure for the study of political strategies: the Theory of Collective Action (TCA) and the Positive Political Theory (PPT). Olson (1971) established the bases of the TCA, which deals with the identification and assessment of solutions to the problem of collective versus individual action (free rider). As to PPT, it developed out of Rilker's (1962) seminal study and was consolidated by Rilker & Ordeshock (1973). This theory recognizes the interdependencies between institutional actors in the development of public policies and is an offshoot of political science. It provides a conceptual approach for the identification of environments in which the regulator is hostile from the firm's point of view and defends the preferences of some political institutions in its determinations (Holburn & Vanden Bergh, 2008).

Although the use of strategies to deal with political environments had been studied directly or indirectly since the 1960's, it was only in the mid-1980's that it became a really significant issue. This can be attributed to the growing influence of the political environment on business, with firms' loss of legitimacy as social institutions and the resurgence of government regulation of some segments of industry (Ullmann, 1985; Yoffie & Bergenstein, 1985). Also during the mid 1980's, the strategic management literature began, albeit timidly, to reflect the need for firms to move from ad hoc political actions to a more structured – strategic - political approach, although the great majority, in practice, continued to act in a reactive fashion (Yoffie & Bergenstein, 1985).

The political and regulatory environment is a source of uncertainty and risk for many organizations, which respond with specific - so-called political - strategies (Baysinger, Keim & Zeithaml, 1985; Baron, 1995; García-Canal & Guillen, 2008; Keim & Hillman, 2008). In other words, firms attempt to influence public policy decisions (Hillman & Hitt, 1999; Bonardi, Holburn & Vanden Bergh, 2006). So political strategy is the set of actions that firms plan and execute in order to maximize economic returns from the political environment (Bonardi & Keim, 2005; Oliver & Holzinger, 2008;Suler, 1996) and co-exists with market strategies in organizations (Baron, 1995; Holburn & Vanden Bergh, 2002). One of the first attempts to consolidate a political strategy model was undertaken by Yoffie (1985) apud Yoffie & Bersgstein (1985) who, drawing on the TCA and TPP literatures, indicated five possible strategies: free riding, following, leadership, pusuing private goods and entrepreneurship. The latter strategy is particularly interesting because it involves at once market competence and political action.

The literature presents countless possible forms of materialization of political strategies, by means of diverse activities or tactics, including, for example, divulging and disseminating information on specific themes, developing corporate programs to influence the electorate, direct lobbying, direct financial contributions for political campaigns, formation of political action committees/interest group associations, petitioning regulatory bodies, testifying before legislative and regulatory commissions, action on high visibility matters involving the interests of important stakeholders, action against rivals' appeals and coalition building (Baysinger, Keim & Zeithaml, 1986; Bonardi & Keim, 2005; Capron & Chatan, 2008; Hillman & Hitt, 1999; Keim & Zeithaml, 1986; Lenway & Rehbein, 1991; Shuler, 1996).

Political strategies constitute a set of actions to explore opportunities and not a set of restrictions or ways of mitigating charges and threats, although they may indeed have this effect (Oliver & Holzinger, 2008), and may be addressed to a firm's various stakeholders (shareholders, employees, customers, suppliers, trade associations etc.) in order to influence legislative and regulatory bodies (Baysinger, Keim & Zeithaml, 1985).

Macro-environmental factors, particularly those related to public sector policies, may create or erode competitive advantages. Bailey (1997) points to "political windows" in which firms may take advantage of political changes to create competitve advantages. In internationalization processes, firms are concerned with the local political environment and develop specific political and operational strategies based on their assesment of political risk (Feinberg & Gupta, 2009; Hillman & Wan, 2005).

Government regulation and public policies have emerged as important constructs in strategy (Shaffer & Hillman, 2000). Bailey (1997) affirms that, in the case of industries such as air transportation, telecomunications and utilities, the competitive arena is defined by public policies. Although public policies can influence practically all aspects of a business, firms are not affected in a similar fashion (Keim & Hillman, 2008). Those with some degree of regulation suffer a greater impact. Thus, firms try to influence the regulatory agency's decisions by interacting with the legislative, judicial and executive branches, as well as the agency itself, and also attempt to influence the relations between these actors (Holburn & Vanden Bergh, 2002).

Holburn & Vanden Bergh (2004) use the positive political theory and the campaign finance literature to build a model in which interest groups seek to obtain advantages from the regulatory agency by following a path that is sometimes more profitable than a direct firm-agency relationship. Through activities ranging from lobbying to campaign contributions, these groups seek to influence legislative and executive political institutions that may or may not be pivotal in the legal and administrative decisions of regulatory agencies. Due to their condition of public services concessions, electric energy distributors in Brazil are not permitted by law to perform all the set of political actions found in literature, like campaign donations. Besides, for any economic sector lobbying is not a legalized activity in Brazil.

The political market concept (Bonardi, Holburn & Vanden Bergh, 2006) constitutes an evolution from the simple model of the exchange of information and support between the electorate (and its lower number of effective voters) and legislators. Vanden Bergh & Holburn (2007) thus develop a model of corporate political strategy that seeks to help firms allocate resources to the most appropriate institutions in a direct fashion - in the case of agencies – or indirectly - in the case of bodies belonging to the executive, legislative and judicial brances of government.

The political strategy formation process should be considered in its particularities such as, for example, the approaches proposed by Hillman & Hitt (1999) - transactional (subject by subject) and relational – and the level of participation (individual and colective). Dahan (2005) expresses a similar view when he proposes two generic strategies – iterative and pressure – according to the use of what he calls political resources, and the roles played by each of these resources in the execution of these strategies, whether of a primary, support or complementary nature.

Conflicts between interests or agency problems are predominantly seen as involving the possibility of opportunistic behavior by executives – agents – who act against the interests and welfare of the owner (principal), but there are important conflicting interests that divide agents and principals in the case of the regulated firms. The understanding of the complex and unstable regulatory environment is often a challenge to the principal, especially in the case of international investors. In this context, agents tend to have a better comprehension of regulatory variables, in a situation characterized by a high degree of asymmetrical information that may lead to conflicts with investors.

The ability to address the different interests of multiple stakeholders and their result in a firm's performance constitutes one of the challenges posed by stakeholder theory (Greenley & Foxall, 1997), and stakeholder management is one of the themes of strategic management (Freeman, Wicks & Parmar, 2004). The stakeholder management is part of an explicit agreement between the principal and the agent, and it is the latter who in fact conducts the relationship with stakeholders. Agency theory and stakeholder theory are directly linked in what many authors call Stakeholder-Agency Theory (Hill & Jones, 1992).

By focusing on the analysis of the elements of relational networks and cultural systems that influence the structure and actions of organizations, the institutional approach constitutes a counterpoint to the technical requirements of management and production processes. According to Théret (2003), institutionalism distinguishs itself from other intellectual paradigms by pointing to the need to take into account the mediations between social structures and individual behavior, in order to understand the action of individuals and their collective behavior that take place through institutions.

For the purposes of the study, institutions are viewed as components of the rules of the game in a society that constitute restrictions on human action (North, 1990). Institutions, such as organizations, affect the economy's performance through their effect on exchange/transaction costs and production. Although supposedly contributing to the reduction of uncertainty, institutions also undergo change, typically in an incremental, but also in a discontinuous fashion.

Organizations can and should consider the competitive advantages that derive from institutions and their changes and evolutions. This constitutes an important dimension in organizations' strategic formulations, particularly in public services concession sectors with a high degree of regulation. As highlighted by Keim & Hillman (2008), North recognized that business is embedded in an institutional context and that this context varies from place to place and changes over time as a result of the interaction between organizations and institutions. Institutional Theory (IT) seeks to achieve a more profound understanding of the diverse aspects of the social structure, considering the process through which structures are established as drivers of social behavior, and this kind of analysis can be extended to organizations in general and firms. Note that the institutional approach developed along three distinct lines: economic, political and sociological. The economic and political approaches are relevant to the research at issue here. IT approach is appropriate for the study of political strategies, as defended by Hillman & Wan (2005) when suggesting two categories of institutional duality for multinational firms: internal and external legitimacy.

It should be highlighted that the alliance literature hardly considers relations between private sector firms and public bodies, especially regarding their role in the former's value net. One exception is the proposal put forward by Ragan, Sami Wassenhove (2006), anchored in Transaction Cost Theory and Externality Theory, regarding the feasibility of public-private partnerships.

Powerful forces are driving the formation of strategic alliances in an intensely competitive global arena (Doz e Hamel, 1998), configurating phenomena that are increasingly ubiquitous (Gulati, 1998). Countless researchers such as Gomes-Casseres (1994, 1996), Gulati (1998, 1999), Galaskiewicz and Zaheer (1999), Gulati, Nohria and Zaheer (2000), Kale, Singh and Perlmutter (2000) and Knoke (2001), have contributed to the identification of relational attributes and indicators that are important for the analysis of the strategic implications of alliances and other linkages from a network perspective.

Madhavan, Koka & Prescott's (1998) framework attemps to explain how networks evolve over time in response to specific events that occur in a specific industry, by characterizing the network´s evolutionary process in response to specific events that may reinforce or weaken its structure. McEvily & Zaheer's model (1999), on the other hand, emphasizes the importance of understanding the relation between firms' embeddedness in networks and their skill in acquring resources and competitive capacity by exploiting the opportunities provided by networks in terms of access to information and other valuable resoures that the firm may need. Gnyawali & Madhavan (2001) develop a multi-level conceptual model relating key network properties to actions and responses related to the competitive environment. Contractor, Wasserman & Faust (2006) propose an analytical model to specify and statistically test multi-level and multi-theoretical hypotheses regarding the structure of organizational networks in which independent endogenous (network level) and exogenous (sharing of actor attributes and other relationships) variables are assessed at four levels: actor, binary relations, three-fold relations and global relations. Drawing on the preceding literature devoted to repairing trust, restoring positive exchange and reducing the negative effect of problems in relationships, Dirks, Lewicki & Zaheer (2009) develop a model to help repair relations after they have been damaged. Farjoun (2002) adopts an organic view, which understands that strategy aims at aligning the firm with the macro-environment, by constructing and modifying internal attributes and forcing a response to external conditions. Based on this view, he proposes the OESP (Organization – Environment – Strategy – Performance) model. Although it has a so-called organic approach, this model does not in fact adopt a relational perspective but rather an extreme integrative one.

In the case of the Strategic Network Analysis (SNA) framework developed by Macedo-Soares (2002), on the other hand, the purpose is to help identify and assess the strategic implications – strengths and weaknesses and opportunities and threats – of alliances and other linkages, from a network perspective, with a view to taking them into account in the strategic planning and decision-making processes of firms that engage in alliances and networks. Its application in different sectors evidences that it enables capturing important "insights" that could not be found by way of a non-relational perspective, whether of the positioning school or resource-based view (Macedo-Soares & Tauhata, 2002; Leite & Macedo-Soares, 2005; Macedo-Soares, Tauhata & Freitas, 2004; Macedo-Soares, Tauhata & Lima, 2005; Macedo-Soares & Figueira; Macedo-Soares & Schubsky, 2010; Macedo-Soares & Mendonça, 2010).

Van der Heijden (1996) sustains that strategic analysis is based on the assumption that assessments should be performed according to the classic principle of strategic fit: the importance for strategy's effectiveness of guaranteeing consistency between all strategically significant factors (Hofer & Schendel, 1978). In the case of firms in alliances and networks these factors, according to Macedo-Soares (2002), should include relational variables. The business environment studied in this article has the following main characteristics that sustain a relational approach to firm´s political strategy management: multiple stakeholders with diverse interests; actors with both collaborative and antagonistic characteristics; a complex political and institutional environment; and lack of an explicit competitive arena - as defined by Porter (1980) - although there are cases of direct competition between the sector's actors.

Although the authors referred to in this section have investigated some relevant issues pertinent to political strategies, by and large, as Pearce, Castro & Guillén (2008) noted researchers are only just beginning to perform studies of the formulation of corporate strategies that influence government policies. Returning to the theme addressed earlier, constructive linkages between the private and public sectors are essential for the success of firms in regulated industries. This occurs when, as is the case in Brazil, the private sector is able to take full advantage of prevailing economic conditions, circumstances are favorable and the public sector is highly involved in operational terms (Ragan, Sami & Wassenhove, 2006).

PROPOSED FRAMEWORK

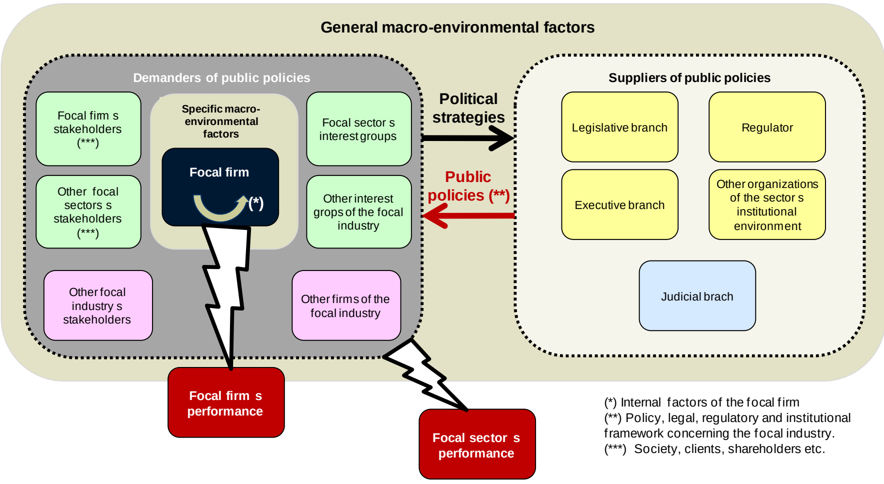
Having completed the review of the literature, it is now possible to present a preliminary framework – methodology, model and constructs – to support the management of political strategies pertinent to regulatory environments.

The methodology, which constitutes a further development of Macedo-Soares' (2002) proposal involves 12 steps. The Step 1 is to characterize the strategy. This is based on the usual strategic constructs – vision, mission, values and objectives – as well as Fahey & Randall's (1998) categories of analysis: strategic scope (product/service, customer, geography, degree of verticalization and stakeholders); competitive differentiation or stance. In addition to stategy's content, these authors also include the strategic process itself. In order to identify the stance of political strategies regarding regulation, the framework also uses the previously cited typologies developed by Bailey (1997), Dahan (2005), Hillman & Hitt (1999), Holburn & Van den Bergh (2006), Oliver & Holzinger (2008) and Yoffie (1985). Thus, eight dimensions are adopted to characterize a firm's strategy: vision, mission, values, targets, scope, type of strategy and formulation and implementation processes. Step 2 assesses the strategic implications of organizational factors, that is, the firm's resources, including those based on knowledge, notably skills and competencies, and the conditions required to lever and manage these resources - in terms of constituting real and potential strengths and weaknesses – that will be used to obtain gains in the political market. Step 3 assesses the strategic implications of those focal firm strategic actors that demand public policy, such as the focal firm's stakeholders, focal sector stakeholders and the focal sector's organized interest groups in the performance of their respective roles. Step 4 assesses the strategic implications of the strategic actors that supply public policies to the focal sector, such as the legisative and executive branches, the regulators and other organizations that belong to the focal sector's institutional environment. As in the case of steps 2 and 3, this stage also does not take into account the firm's alliance/linkage-type relationships. Step 5 assesses the strategic implications of inter-agent macro-environmental factors, in terms of constituting real and potential opportunities and threats. Continuing the analysis of various actors, Step 6 identifies and assesses the strategic implications of the actors in the focal firm's value net in order to be able to identify and classify the alliances and other significant ties that configure the focal firm's ego net in step 7. Step 8 assesses and characterizes the strategic political network. In Steps 2 to 8 the framework uses reference lists of variables, constructs and indicators. In the case of relational analysis, the indicators seek to determine the characteristics of the strategic network and support the analysis of their implications at firm and industry levels, in terms of constituting relational strengths and weaknesses and relational opportunities or threats. Step 9 seeks to characterize the performance of the focal firm affected by the strategic political decisions. Step 10 assesses the consistency of the implications identified during the previous step with the firm's strategy, according to the concept of strategic fit. Considering networks' dynamic nature the analysis emphasizes the importance of assuring a dynamic fit (Zajac, Kraatz & Bresser, 2000). According to Macedo-Soares (2002), the latter implies imperfect consistency and fit and thus potential strategic implications should also be considered. The analysis may require inferences of the implications resulting from the strengths and weaknesses and threats and oportunities constituted by relationships, in the light of the organizational, macro-environmental and actor/role implications that do not take relationships into account (traditional analysis), and which are the object of Steps 2 and 3. Step 11 defines the changes in organizational or relational factors required to improve or create the conditions necessary to achieve dynamic strategic fit, on the basis of the results of the assessment performed in Step 10 and the type of incongruences identified. Step 12 refers to strategic decision-making – adjusting strategy or adopting a new one, considering all stakeholders and the importance of sustaining a superior performance.

The use of the SNA relational strategic analysis model (Macedo-Soares, 2002) was considered to be pertinent as a point of departure and adaptations were made for the electricity sector under study. During this process, the research sought to enrich it by drawing on elements from other models identified in the literature, such as those developed by Bailey (1997), Vanden Bergh & Holburn (2007), and Oliver & Holzinger (2008). In this sense, it can be affirmed that the model proposed constitutes a variation of the SNA model.

The model is shown in Figures 1 and 2. Figure 1 gives an overall view and represents a further development of the Bonardi, Holburn & Vanden Bergh (2006) model, incorporating the integrative view and a concern with explicitating the focal firm and industry's performance. It also adopts a broader view of public policy, encompassing government policies and the focal industry's entire legal, institutional and regulatory framework.

Figure 1. Preliminary model proposed for the analysis of political strategies: general view

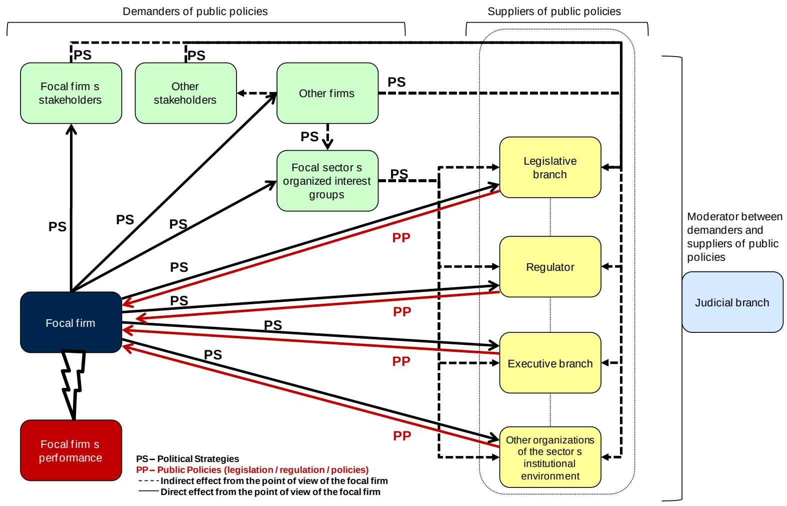


(*) Internal factors of the focal firm
(**) Policy, legal, regulatory and institutional framework concerning the focal industry.
(***) Society, clients, shareholders etc.

Stakeholders are highlighted in recognition of their influence on both the decisions of the demanders of public policies and their suppliers. Evidently, the focal firm should use its various organizational factors strategically (strengths or weaknesses), in order to position itself and take advantage of opportunities or mitigate the threats derived from suppliers of public policies and inter-agent macro-environmental factors. Albeit in a simplified fashion, it also zooms in on the focal firm's strategic network, highlighting the main groups of actors it establishes relations with, and its interaction with general and specific macro-environmental factors. Figure 2 details the political market of a focal firm, seeking to highlight the direction of political strategies – direct or indirect – and public policies.

Arguing that the lack of studies of the theme perpetuates a conceptual confusion, Dahan (2005) attempts to define the exact nature of political resources/competencies by proposing the following typology: expertise, financial resources, organizational resources, reputation with stakeholders that are not directly market- oriented, public image and stakeholder support. As the latter is not self-explanatory, some further comments are warranted. It refers to all kinds of service or "perks" offered to opinion formers (including journalists) and public policy deciders, in order to obtain more informal, personal and perhaps more favorable contact. The benefits include restaurants, hotels, and trips, and depending on the situation, their use may be controversial. Dahan also broadens their definition, classifying these resources as: i) internal or external; ii) at the level of the firm or at the collective level; and iii) one-off or semi-permanent. Finally, he highlights the ability to mobilize political resources, in an alignment with the "O" (organizational conditions) of Barney's (1996) VRIO model. Dohan's (2005) typology and that proposed by Macedo-Soares (2000) in her GI – Generic Integrative model, associated with the SNA model (Macedo-Soares, 2002; Macedo-Soares, Pacheco, Esteves, Gewandsznajder & Lorenzon, 2005) were also used as a reference for classifying the firm[s internal factors.

Figure 2. Preliminary model proposed for the analysis of political strategies: zoom of the political market of a focal firm



Tables 1, 2 and 3 contain the factors, constructs and indicators proposed for the integrative strategic analysis: constructs for internal (independent variables) and macro-environmental factors (secondary variables) and constructs for the assessment of the performance of political strategies pertinent to regulation (dependent variables). They were based on Austin (1990), Bastos & Macedo-Soares (2006), Bonardi & Keim (2005), Bonardi, Holburn & Vanden Bergh (2006), Dohan (2005), Feinberg & Gupta (2009), Shuler (1996), García-Canal & Guillen (2008), Hillman & Wan (2005), Macedo-Soares (2002), Ullmann (1985) and Yoffie & Bergenstein (1985).

Taking the SNA model's (Macedo-Soares, 2002) constructs as a point of departure, Tables 4 and 5 indicate the constucts and indicators pertinent to the relational analysis of electricity distributors. Alterations were made partially inspired by Bastos & Macedo-Soares (2006) and Macedo-Soares & Mendonça (2010) that investigated regulated industries, respectively gaz distribution and telecom, for use in the case of political strategies pertinent to regulation for electricity distribution firms.

Note the incorporation of the compulsory and voluntary nature of some types of linkages. Linkages can be classified in many ways and for the purpose of the study at issue here, it was decided to adopt Macedo-Soares & Tauhata's (2002) classification, based on Contractor & Lorange (1988), Parise (2000) and Nohria & Garcia-Pont (1991). Thus, the research considered the following sequence of types of linkages – from more intense to less intense – in the case of electricity distribution firms: merger & acquisition – M&A, joint venture, cross-shareholdings, minority stakes, concession contract, electricity purchase contract in a regulated environment, electricity supply contract, electricity spot/unregulated market purchase contract, joint R&D, patent or know-how licensing, technology transfer, R&D agreement/contract, raw material/input supply agreement/contract and agreement/contract for the provision of various services. Note that except for M&A, all other linkanges can be considered alliances when attending to the definition of alliances as voluntary arrangements between firms involving exchange, sharing or co-development of products, technologies and services (Gulati, 1998).

Table 1. Internal factors and indicators for strategic analysis in the case of political strategies regarding regulation, focusing specifically on electricity distributors

Factors	Constructs	Indicators
People	Team motivation	Degree of motivation of the team as a whole and of the regulatory area in particular. / Balanced performance measurement systems encompassing the regulatory dimension.
	Educational systems	Continuous education systems aimed at developing the competencies necessary for regulatory management.
	Competencies	Regulatory competencies mapped and present in the team as a whole and the regulatory area in particular. / Dynamic regulatory competencies in tearms of internalizing all the changes and demands of the legal and regulatory environment.
Culture	Organizational culture	Organizational culture focused on the continuous fulfillment of regulatory obligations.
	Leadership style	Top management delivering the firm´s political strategy. / Top management committment to customer orientation and the fulfillment of regulatory obligations. / Management-level committment to the firm's political strategy.
	Informal communication	Broad, interfunctional, privileging the dissemination of regulatory knowledge.
Organizational Structure	Management style	Multifunctional, with a high degree of empowerment and oriented towards regulatory issues.
	Formal organizational structure	Specific structure for the management of institutional and regulatory matters.
Processes	Business processes	Processes mapped, formalized and disseminated throughout the organization in compliance with regulatory obligations.
	Regulatory processes	Regulatory processes mapped and formalized, such as: management of regulatory documentation, management of participations in business interest organizations, management of stakeholders and management of regulatory events and milestones.
	Formal communication	Formal information channels, especially for the dissemination of knowledge and processes in general and regulatory ones in particular, and processing the flow of information related to regulatory obligations.
Information technology	Transactional systems	Broad and integrated transactional systems.
	Regulatory systems	Support systems for regulatory processes encompassing collaboration, workflow and document management.
	Management systems	Broad and integrated management support systems delivering regulatory data.
Infrastructure	Distribuition	Facilities, equipment and control systems that assure distribution according to the standards of safety and reliability established by the supervisory agencies.
	Customer service	Customer service processes and systems encompassing: technical and commercial complaints; conversion process and emergencies.
Reputation	Individual reputation	Recognition by sector agents and the political environment of the regulatory knowledge and management capacity of one or more individuals of the organization (regulatory and institutional leadership).
	Organizational reputation	Recognition by sector agents and the political environment of the organization's regulatory knowledge and management capacity (regulatory leadership).
Financial	Cash generation	Cashflow generated by operations (tariffs) and capital from third parties sufficient to assure liquidity for shareholders and internal funds to finance activities and sustained growth (investment plans related to the expansion of the distribution network and the quality of the services).
	Profitability	Adequate return on assets, capital employed and capital invested by shareholders, in order to maintain the attractiveness of long-term investments.
	Capital structure	Capital structure that assures an optimal level of leverage for obtaining low cost long-term funds, in order to finance capacity expansions to meet demand and support the quality of services. / State equity stake.

Table 2. Macro-environmental factors and indicators for strategic analysis in the case of political strategies regarding regulation, focusing specifically on electricity distributors

Factors	Constructs	Indicators
Economic	Demand for energy	Growth in demand for energy.
	Consumer bargaining power	Consumer mobilization capacity.
	Macro-economic scenario	GDP growth. / Indicator of unexpected changes in the economy's growth rate.
Socio-cultural	Oriented towards consumer rights	Sector agents' perception regarding the fulfillment of consumer rights.
	Oriented towards observance of laws and regulation	Sector agents' perception regarding the observance of laws and regulatory acts that affect the sector.
Political	Stability of the regulatory framework	Number of alterations in legal and regulatory instruments. / Regulator's budget compared to sector revenues. / Regulatory agency directors' average period in office. / Average time spent on regulatory decisions (from the beginning of discussions to the publication of resolutions).
	Ideology embedded in regulation	Sector agents' perception regarding regulation's ideological bias. / Rivalry between interest groups. / Country's índex of pluralism.
	Insitutional solidity	Sector agents' perception regarding the solidity of institutions with which interaction occurs.
	Political stability	Index of political restrictions.
Demographic	Population growth	Population's growth rate in the concession area.
	Urban organization	Degree of urbanization in the concession area. / Degree of urban disorganization in the concession area.
	Population dispersion	Degree of population dispersion in the concession area.

Table 3. Performance indicators for strategic analysis in the case of political strategies regarding regulation, with a specific focus on electricity distributors

Factors	Constructs	Indicators
General	Financial indicators	Cash generation / Liquidity / Shareholder returns / Profitability in relation to the sector average.
	Operational indicators	Real distribution losses in relation to the losses admitted/permitted by the regulator / Consumption per customer and by area / Consumer satisfaction / EID – equivalent interruption duration per consumer / EIF – equivalent interruption frequency per consumer / Stakeholder satisfaction / Fulfillment of ethical conduct standards regarding safety, respect for the environment and observance of regulatory obligations.
Regulatory	Financial indicators	Tariff increase obtained in relation to requested our anticipated increase.
	Operational indicators	Degree of influence in business interest organizations / Number of participations in business interest organizations / Number of contributions in public hearings and consultations / Number of appeals to the regulatory body.

Table 4. Constructs and indicators for relational analysis - at industry level – in the case of political strategies pertinent to regulation, focusing specifically on electricity distributors

Obs.: Constructs that constitute opportunities are in bold type

Categories	Constructs	Indicators
Network Structure	Density	**High** / Low
	Position and centrality	**Central** / Intermediate / Peripheral
Network Composition	Identity of focal firm partners	**Strong** / weak
	Status of focal industry partners	**Success** / Failure
	Access to focal industry resources	**Easy** / Difficult
Linkage Modality	Strength of connections	**Strong**/ Weak
	Nature of linkage	**Collaborative** / Opportunistic; Compulsory/ **Voluntary**

Table 5. Constructs and indicators for relational analysis – at the level of the focal firm – in the case of political strategies regarding regulation in electricity distributors

Obs.: Constructs that constitute strengths are in bold type

Categories	Constructs	Indicators
Network Structure	Density	**High** / Low
	Escope	Concession Area/ Multi-Regional / Country / **Global**
	Position and centrality in the network	**Central** / Intermediate / Peripheral
	Type of linkage	Invisible (private) / Visible
	Pattern of linkage	**Direct** / Indirect
Network Composition	Identity of the focal firm	**Strong** / Weak; **Favorable** / Unfavorable
	Status of the focal firm	**Strong** / Weak; **Favorable**/ Unfavorable
Linkage Modality	Strength of connections	**Strong** / Weak
	Nature of linkages	**Collaborative** / Opportunistic; Compulsory / **Voluntary**
Network Management	Use of governance mechanisms	**Appropriate** / Inappropriate
	Development of inter-firm information-sharing routines	**High stage of development** / Low stage of development
	Experience of multiple alliances	**Extensive** / Non extensive
	Alignment of interests between partners	**Adequate level** / Inadequate level
	Network performance measurement systems	**Appropriate** / Inappropriate

FINAL CONSIDERATIONS

The proposed framework obviously needs consolidation which will only be possible after it has been applied to cases of firms that establish alliances or other types of strategic linkages in regulated industries, beginning with the industry focused on in this study (electricity distribution). The aim of applying it - following the steps of the methodology described above - is to evidence how the framework may help capture relational information that is important for regulated industries that could not be revealed if the analysis were limited to a traditional (non relational) perspective and did not consider variables pertinent to regulation.

As was done in the case of the SNA framework and its other variations, we recommend applying the proposed framework in the context of a case study in which data collection is performed according to the principle of source and method triangulation (Yin, 1994). By applying the framework it will be possible to refine it and illustrate how it adds value to non-relational models in the case of firms with similar characteristics to those studied in this article. Thus, it is possible to contribute to theory building through multiple case studies (Eisenhardt & Graebner, 2007).

In spite of the fact that the present proposal needs consolidation and probably further refinement, already in its preliminary form it provides tools that can be used by managers of firms that engage in alliances and other linkages in regulated industries for their corporate political strategic planning processes. Indeed the preliminary model and tables presented in this article can be considered useful check lists for managers in such industries in the scope of their planning processes.

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