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# When procedures and ideology replace strategy in corporate political activity: Industry associations in Interwar Finland

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## ABSTRACT

The core assumption in the management literature on corporate political activity (CPA) is that firms and industry associations representing their interests seek political ends driven by strategic concerns. Other streams of research, however, emphasise the role of ideology in CPA. In this article, we study the balance between strategic and ideological orientations over time. We draw on historical data from the early 1920s to the end of the 1930s to analyse a process in which two competing Finnish industry associations sought to balance strategic and ideological CPA, and how procedural CPA became increasingly important as a mechanism for increasing the emphasis on ideological goals. As industry associations become more autonomous, they gain more opportunities and greater power. As a result of this increased power, associations can promote their own ideological agendas, which often contrast with what would be directly beneficial for individual firms and societies.

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## Introduction

Why and how do corporations seek to influence society? In scholarship on corporate political activity (CPA), the dominant explanation is strategy: attempts at influence are best explained as optimisation of specific economic ends. Although the literature is not explicit on whether such orientation is an intentional property of decision-makers (e.g. Hadani & Schuler, 2013) or a heuristic used by scholars in explaining firm activities, most CPA scholars, and many business historians (e.g. Dewitte et al. 2018; Elmore, 2012), seem to agree that strategic concerns drive CPA (Hillman et al. 2004; Oliver & Holzinger, 2008). This view insists that, regardless of whether firms act alone or collectively, seek short-term profits or long-term gains, CPA decisions are reducible to the interests of individual firms.

However, there are several reasons to question the assumption of the strategic foundation of CPA. First, we know from empirical research that industry associations can be driven by ideologies such as social conservatism or economic liberalism (Clawson & Neustadt, 1989;

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Neustadt & Clawson, 1988). Thus, the collective political actions of firms can reflect ideological assumptions that influence what individual firms and individuals regard to be in their interest in the first place. Furthermore, as these and similar accounts acknowledge, the political influence of business can be tightly mediated and even determined by the prevailing institutional and historical context (North, 1990; Wadhwani, 2018), which may not be attuned to the optimisation of the specific strategic goals of firms. Second, research on the members of interlocking business elites (e.g. Mizruchi & Stearns, 2001) has demonstrated that individual-level ideologies impact the political strategies of firms and industry associations. Third, historical research on CPA (e.g. Bower, 2021; Cerretano, 2022; Fernandez-Moya & Puig, 2021) demonstrates there is no single stable and abstract ‘society’ in which CPA occurs: rather, business takes place in a variety of ‘societies’, that is, in different sociohistorical contexts (Shanahan & Fellman, 2021). Accordingly, that CPA originates in strategic, firm-specific goals may be a valid approach only in particular historical settings (cf. Doh et al. 2012; Lux et al. 2011).

In this article, we provide an empirical account of the changing and historically embedded nature of CPA as a trade-off between the strategic and ideological bases of CPA. We study the political activities of two competing industry associations in Finland of the 1920s and 1930s: the pro-export Association of Finnish Wood Processing Industries (henceforth FOREST) and the anti-import Association of Finnish Industries (henceforth DOMESTIC), which predominantly organised the political activities and flows of campaign funding of industrial firms in Finland. Based on our analysis, we show and theorise how CPA orientation, value-based priorities guiding distinct choices and decisions, transfers from firm specific strategic interests to a situation where the firm specific interests largely vanish beyond ideological interests. Our findings demonstrate that procedural CPA, the cumulation of practices and routinised behaviours, is a key mechanism explaining the transformation. As industry associations become more autonomous, they gain more opportunities and greater power. As a result of this increased power, associations can promote their own ideological agendas, which often contrast with what would be directly beneficial for individual firms and societies.

### ***Theoretical priors***

In the management literature, the concept of CPA denotes efforts to influence political entities by means of campaign contributions, lobbying, and participating in other policy-related activities to strengthen a firm’s competitive position (Hillman et al. 2004; Schuler et al. 2002). Research on CPA has largely focused on examining the effects of the intentional political activities of individual firms (e.g. Baron, 1995; Hillman & Hitt, 1999) and coalitions of firms (Barnett, 2006). The core literature frames activities as based on a relatively clear means-end rationality that seeks political objectives that best serve the needs of a firm (Alzola, 2013; Lux et al. 2011; Oliver & Holzinger, 2008). Accordingly, scholars assume that firms proactively build relationships and strategies to prepare for potential public policy issues (Hillman & Hitt, 1999) based on strategic calculation (Schuler, 1996).

The logic of this framing, however, has been challenged in the more critically oriented literature on CPA (Barley, 2010; Burris, 2005; den Hond et al. 2014; Hadani & Schuler, 2013; Lux et al. 2011; Schuler, 2008). These reviews and conceptualisations demonstrate that it is necessary to re-think the political influence of corporations as reaching beyond strategic means-ends calculations and the management practices of big contemporary US firms.

Following earlier leads in the business history literature (Bertilorenzi, 2014; Jensen-Eriksen, 2015; MacKenzie, 2018), we argue that CPA orientations should be understood and explained in particular sociohistorical contexts (Lubinski & Wadhvani, 2020; Wadhvani, 2018; Wegenschimmel & Hodges, 2023). This is different from saying that firms' strategy for CPA changes from an individual approach to a collective one, or that their exchanges vary from a short-term transactional orientation to a long-term relational one (as in Hillman & Hitt, 1999). We propose that the task of explaining CPA orientations cannot be reduced to an analysis of expected economic returns, no matter how long-term such expectations may be. We are also not content with reframing strategic orientation as a scholarly idealisation imposed on firm behaviours that may or may not be intentional (cf. Lux et al. 2011). What we contest is the universality of the very notion of CPA as a so-called strategic phenomenon founded on improving firm performance. The political activity of business organisations is much more historically and socially embedded than suggested by the previous CPA literature. Firm-level strategic interests explain CPA in some historical contexts, while in other contexts, they may not.

The argument that there is more in CPA than economic calculations is not new. Empirical research in historical sociology and business history demonstrates that campaign funding and other forms of CPA have important ideological dimensions (Gopoian et al. 1984). This evidence is in direct contrast with a purely strategic view. For example, sociologists have studied the role of campaign funding in the US political system's transformation from a pluralist system emphasising specific corporate interests into class-based political support aimed at stronger elite cohesion and the achievement of ideological consensus (Burris, 2005; Clawson & Neustadt, 1989). This research has shown that although firms and industry associations may seek narrow economic benefits through campaign funding, individual managers and entrepreneurs may also exhibit increasing uniformity in their political behaviour (Burris, 2005; Neustadt & Clawson, 1988). Such elite cohesion has been identified and explained in terms of corporate interlocks (Mizruchi & Stearns, 2001), gift-giving (Clawson et al. 1998), and, on an ideological basis, as stemming from institutionalised educational and career paths (Burris, 2005; Clawson & Neustadt, 1989; Wang et al. 2019).

Finally, to understand the fluctuations between strategic and ideological orientations in CPA, it is important to understand *how* firms decide to engage in CPA. The key question is whether a firm operates in the political field alone, in an ad hoc coalition with other firms, or as part of more permanent industry associations that supposedly combine the interests of many firms (De Figueiredo & Kim, 2004). Industry associations are theoretically interesting because they are sites of competing interests and values (e.g. Biggart & Delbridge, 2004; Marques, 2017). In most Western societies, for example, industry associations are the key actors in the interface between corporations and the broader political field of society (Rajwani et al. 2015). Without associations, collective action related to common policy-related issues would be very difficult (Barnett, 2013; Reveley & Ville, 2010).

From these perspectives, understanding how and why CPA takes different forms and is transformed from one orientation into another requires broader contextual examination. This examination should consider both actors, with their distinct social and political skills, and the way these actors are related to each other and the broader political system. Accordingly, our empirical analysis is motivated by the following research question: *Why and how do industry associations balance between CPA orientations in varying sociohistorical contexts?*

## Methodology

### *Research strategy and unit of analysis*

We study Finnish industry associations and their efforts to find a balance between strategic and ideological CPA. Industry associations, in general, are important meso-level organisations in most democratic countries and thus constitute a theoretically relevant research object. An analysis focused only on the CPA of Finnish firms in the 1920s and the 1930s would likely be a short one, because most of their political activities were channelled through the associations or individual members of the industrial elite. Understanding CPA orientations, therefore, requires an understanding of industry associations' role in such activity (Lamberg, 1999; Ruostetsaari, 1993). Also, we argue, studying the period under scrutiny with contemporary conceptions of CPA is far from anachronistic since the core purpose of industry associations has always been related to the political activity of firms.

Studying changes in CPA orientation requires a research strategy that examines (a) both the internal structure and workings of the system and (b) how actions and decisions are embedded in, or related to, proximate, broader historical dynamics. The identification and assessment of CPA orientations motivate the use of historical research that enables the examination of historical context and association-level changes in CPA orientations during a sufficiently long period (Maclean et al. 2016). We underscore the historically contingent nature of CPA that requires attention to the peculiarities of a specific historical context (cf. Kipping & Üsdiken, 2014). As Vaara and Lamberg (2016) propose, 'one should not merely place processes and practices in context but also understand their inherent historical nature and construction ... focusing on how history can be a key part of our theoretical understanding of strategy rather than serve 'merely' as empirical evidence of context'.

We subsume our research strategy under the approach of a realistically oriented history (Vaara & Lamberg, 2016) that uses analytic constructs to create an explanatory narrative of events and structures from archival sources. Our analysis is driven by abductive reasoning (Mantere & Ketokivi, 2013), in which we iterate between empirical findings and theory. Following the conception suggested by Maclean et al. (2016), our research could also be categorised under the explicatory type of historical organisation studies. The explanation we build is intended as a mid-range contribution (Glaser & Strauss, 1967) specific to the context of industry associations and CPA.

### *Analytical process*

Our analytical process consisted of four central tasks. The first task was to understand the larger historical and field-related political context in which the industry associations operated. We used a large corpus of historical studies focusing on Finland's socio-economic and political development in the 1920s and 1930s. Most importantly, we identified notable shifts in this broader political field by examining how the power balance between political parties in the Finnish parliament developed; whether there were changes in the political agendas of or issues emphasised by different political parties; and whether other societal issues or notable events influenced the scope or focus of political decision making. This task was foundational to our study because most changes in CPA orientation reflect the dynamics of the historical context.

For our second task, we concentrated on analysing the specific activities of industry associations. This task required detailed archival work because these associations' *de facto* activities are not reported in the existing literature on the political history of Interwar Finland (e.g. Jussila et al. 1999) or in the histories of these organisations (Häggman, 2006). Although we could rely on excellent biographical accounts concerning some of the key figures (e.g. Siltala, 2022), collecting and analysing archival documents was a crucial task in terms of establishing historical veracity (cf. Maclean et al. 2016). We conducted extensive archival work in three archives (the Archives of the Association of Finnish Wood Processing Industries (FOREST), the Archives of the Association of Finnish Industries (DOMESTIC), and the National Archive of Finland). A key element of our archival work was access to sources that cover the core elements of the process by which business actors with economic interests evolved as actors aiming to produce change and as subjects reacting to the actions of others.

Third, we collected and analysed all archived documents originally produced to support, highlight, or communicate interpretations of (or the reasoning behind) decisions made by focal individuals and organisations (including minutes of the associations' meetings, speeches, official and personal correspondence of actors, circular letters, memos, and action plan documents). The fact that these documents were intended for the internal use of associations or for use between specific actors increases the historical veracity (Maclean et al. 2016) and probative value of our evidence (cf. Bennett & Checkel, 2015). In addition, to learn more about the monetary transactions of campaign funding, we used accounting ledgers because they were the only reliable source of information regarding monetary transactions among firms, associations, and political parties. Altogether, the archival material consists of thousands of pages of documents.

Our fourth core task involved a focused examination and assessment of how CPA orientations developed during this period. In our attempts to find evidence of CPA orientations and changes related to how these orientations were manifested as tangible decisions and actions, we conducted interpretive process tracing of the archival material. We examined each piece of evidence in terms of whether it affirmed or cast doubt upon the strategic and ideological orientations of CPA. According to Bennett and Checkel (2015, pp. 16–17), central to this analytical approach is that some pieces of evidence offer greater inferential power than others. Thus, we considered whether a document could falsify or support the occurrence of the suggested form of CPA and found that some documents provided strong evidence of CPA orientations in how they directly conveyed information on the actors' motivation and the reasoning behind their activities. At the same time, our inductive process tracing revealed that there was also a third, *procedural*, orientation of CPA that was equally driving the associations' political activity. This applied especially in terms of how associations managed the balance between strategic and ideological CPA. Next, we explicate the management of and fluctuation between the strategic and ideological CPA through an explanatory narrative of three analytical phases that are distinctive in terms of their political dynamics and the forms of CPA. For each phase, we begin by describing the characteristics and main changes of the broader historical context in which CPA is embedded. Thereafter, we focus on the internal structure and workings of the industry associations. Finally, we analyse how and why the underlying rationalities and practices of CPA changed over time.

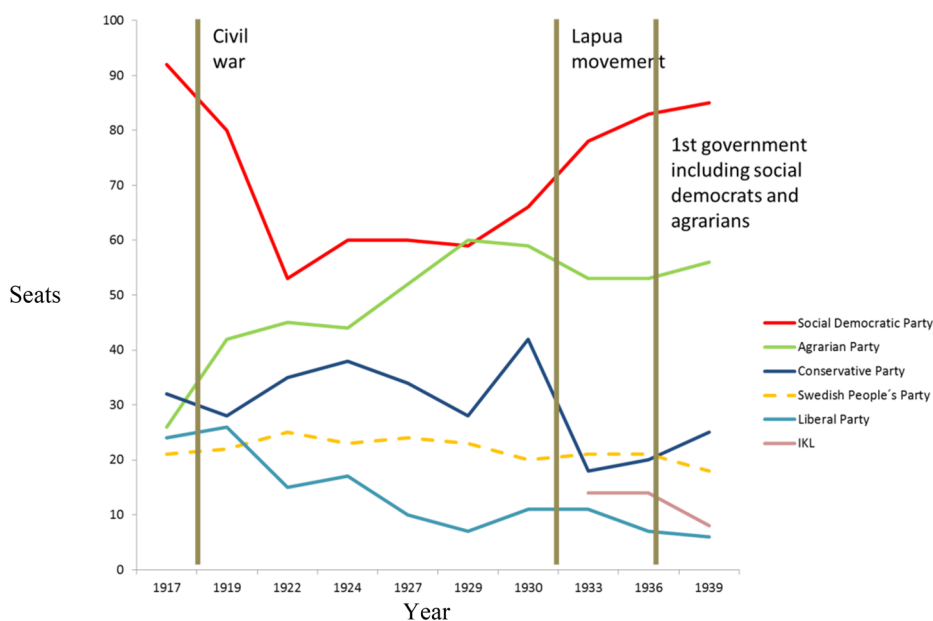
## Findings

### *Phase 1: pluralistic interests and competition (1920–1928)*

#### *Political dynamics*

The process of political transformation began with Finland's 1917 Declaration of Independence and the subsequent 1918 Civil War between socialist 'Reds' and non-socialist 'Whites', which divided the nation along ideological lines. However, a move towards a democratic multiparty system emerged immediately after the war. By March 1919, parliamentary elections reflected democratic values, with the Social Democrats winning 80 seats, the Agrarian Party securing 42, and other centre-right parties (Conservative, Liberal, Swedish People's Party) claiming 76 seats (Figure 1). The 1919 constitution emphasised rule by the people and representation through parliament while also allowing communist activities (e.g. Vares et al. 2006).

In the early to mid-1920s, the political system evolved steadily, with conservative and agrarian parties in control. Right-wing parties were supportive of industrial activities, while agrarians represented farmers. Social Democrats were also integrated into the system. They accepted the constitution, and the first Social Democratic prime minister was appointed in 1926 (Jussila et al. 1999). Simultaneously, Finland developed an independent industrial policy, tariffs, and trade agreements. By the late 1920s, most major issues were resolved: tariffs protected domestic industries, trade agreements supported export industries, and an established bureaucracy governed industrial activities. However, in the late 1920s, the period of stable development ended as political liberties encouraged communist activity in workplaces and unions, resulting in several strikes and demonstrations. At the same time, global trends turned towards protectionism and autarchy.



**Figure 1.** The balance of seats in Finland's parliament, 1917–1939.

Source: Rantala (1971)



### CPA dynamics

Finland's newly gained independence radically transformed the market and institutional environments of companies. The forest industry firms lost their main market area in Russia, and firms in other industries faced increasing competition from foreign firms. In this challenging situation of the early 1920s, all industrial firms focused on their specific, primary interest: maintaining their businesses by finding new customers. Because these challenges were closely related to the nation's industrial and economic policy, the business elite—in practice, the owners and executives of the largest industrial corporations in the country—founded industry associations to safeguard firms' interests in the political field (Häggman, 2006). The most important of these associations were FOREST, which represented the interest of pro-export forest industry firms, and the competing DOMESTIC, which represented the interests of domestic industries claiming for tariff protection. Another important interest group that was founded at the same time was the Central Union of Agricultural Producers, which represented agricultural interests (Nousiainen, 1998) and was most of the time against the interests of both FOREST and DOMESTIC. Thus, the setting for corporate political activities, dominated by two industry associations and the competing agrarian interest group, emerged rapidly. Nearly all notable industrial firms joined the newly founded industry associations. These associations came to dominate the CPA-related activities as they enabled collective action related to important industry-specific questions, and they explicitly required that, for example, election campaign funding should be allocated *via* the associations. This requirement is illustrated in the report by the DOMESTIC election committee:

The members of the association should not provide any direct financial support for the political parties but should provide a sum of money that is as large as possible via the association for the election campaign of trade and industry. (Report of the election committee's activity, 4 January 1922, DOMESTIC)

The first period of political activity by industry associations was an era characterised by pluralistic and even conflicting interests. The primary political interests of FOREST were related to forest policy, legal matters concerning the ownership of real estate, transport and communications, local taxation, and, most importantly, tariff and commercial policy from the perspective of an industry that sold most of its products abroad (FOREST board meeting protocol 16 March 1922). DOMESTIC, in turn, underscored questions related to tariffs, taxation, trade agreements, and economic policy with respect to domestic industries—that is, the interests of those industries that sold most of their products within Finland's borders. Accordingly, the association's political activities were clearly motivated and represented two different interests,<sup>1</sup> one of protectionism and the other of free trade. This is illustrated by the following quote from the minutes of the board meeting of DOMESTIC that documents how the director Viljanen was advised to work as a member of the Economic Committee of the Finland's government:

The director of the board presented the principles that Director Viljanen should advance in the Economic Committee. These principles are as follows: (1) domestic industries should be supported by all possible means, (2) import tariffs for industrial products must be defined by domestic industries and never by governmental organizations, (3) taxes should be defined in a more just manner following the same principles as import tariffs, (4) systematic propaganda is needed for higher labor productivity, (5) an economic mentality should be supported by the state, and (6) all efforts to enhance the role of public administration are harmful. (DOMESTIC board meeting protocol, 15 August 1921)

FOREST operated on similar basic principles, but trade agreements and land policy issues were higher on its agenda than other economic policy considerations, and, of course, the industry-specific interests were different. In fact, although both DOMESTIC and FOREST were generally pro-industry, right-wing-minded associations (see, e.g. FOREST board meeting protocol 15 December 1922), their specific interests and thus the primary motivation of their political activities were different and even conflicting during the 1920s. DOMESTIC wanted to inhibit foreign competition to the greatest extent possible as a logical result of the aims of its protectionist agenda, whereas FOREST wanted to maintain a liberal approach to foreign trade to maximise the volume of export trade. Additionally, forest sector firms needed machinery, chemicals, and other items from abroad at the lowest possible cost. In this situation, DOMESTIC's protectionist attitude was viewed as annoying and harmful (DOMESTIC board meeting protocol 13 January 1922). In practice, the 1920s represented a period of almost pure competition between different industry associations in the political and ideological arena. The following quotes briefly illustrate how the associations continuously addressed this juxtaposition:

Our aim is to print a set of agitation letters for members of parliament that would show the importance of the export industry as well as note the political mistakes that have been made and their consequences so far ... (Solitander to Senator A. Osw. Kairamo, 22 February 1922, FOREST, correspondence)

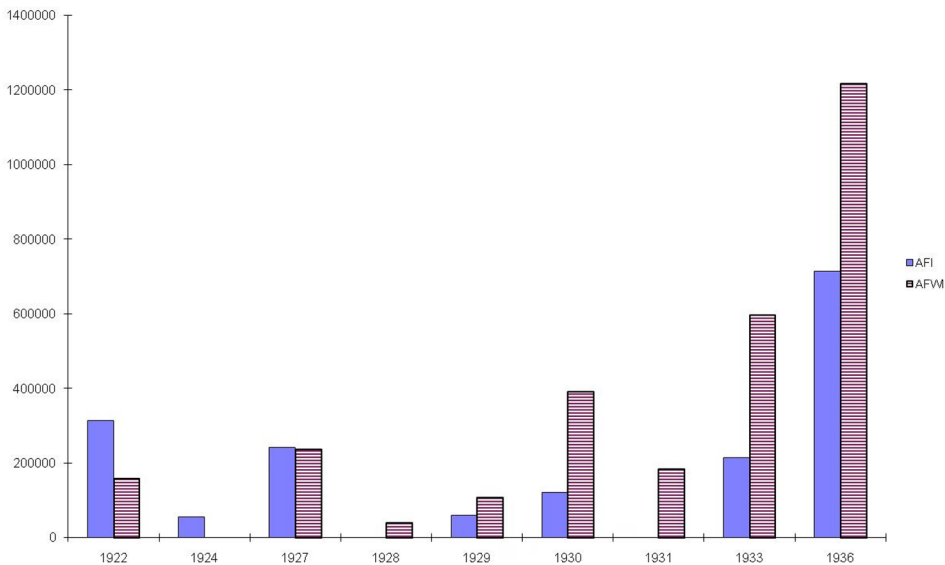
FOREST has suggested that the machines needed by the wood processing industries should be free of import customs ... [however], these machines have been increasingly manufactured at home ... thus, the DOMESTIC board states that there are no reasons to provide any customs liberties for these machines. (DOMESTIC board meeting protocol 31 January 1927)

Although both DOMESTIC and FOREST had broad strategic agendas, as young organisations, they lacked routines and experience in political manoeuvring. As a result, their actual political behaviour was largely reactive, and the stimuli for political activities often originated from decisions and plans generated within public administration entities (FOREST board meeting protocol 9 November 1923), as the following quotes illustrate:

Estonians are dumping cheap cement on the market. There should be a paragraph in the new customs law that protects our industry from such activities. Director Viljanen suggests that a letter should be sent to the government that explains this issue. (DOMESTIC board meeting protocol 30 June 1922)

Because the permanent customs tariff is likely to take final shape during the current year, the domestic industries have to be prepared to put into operation all available forces in order to shape the public opinion among the press, government and parliament so that the lifeline of the domestic industries can be taken into account when the customs duties and protection margin are set. Therefore, the CEO suggests that the number of personnel in the association should be temporarily increased and an extra budget for the current year should be accepted. (DOMESTIC board meeting protocol 29 January 1926)

Regarding campaign funding—a central form of political activity throughout the analysed period (see [Figure 2](#))—the original reason for initiating activity was the inquiries received from right-wing parties. Interestingly, during the 1920s, these decisions were not related to higher-level ambitions but resembled an extension of the use of personal networks in influencing political processes. For instance, campaign funding was targeted at individual



**Figure 2.** Campaign financing of DOMESTIC and FOREST, 1922–1936, in 2010 Euros.

Sources: Protocols of DOMESTIC 1921–1939, Archives of DOMESTIC; Account books of FOREST, Archives of FOREST; Tilastollinen vuosikirja 1922–1939.

candidates with solid reputations for supporting specific industrial interests, so their behaviour and decisions were easy to follow and evaluate. These broad principles were followed throughout the 1920s, as the following quote illustrates:

(1) Campaign money will be allocated only to specific individuals or certain lists of individuals, which allows our association to decide who may be accepted as suitable candidates. (2) Campaign money must be used to support these specific candidates, not to support other candidates. To be able to control the interests of business life and especially the interests of industrial production, the election committee of the association maintains connections with the bourgeois parties....these principles were accepted. (DOMESTIC board meeting protocol 31 January 1927)

### *Changes in CPA orientation (Phase 1)*

During this first phase, we see manifestations of the predictions found in contemporary CPA literature. Politicians in Finland in the 1920s were predominantly focused on solving acute issues and promoting the practices of a democratic society. This tendency for problem-solving and attempts to build a new democratic society bounded and directed CPA orientations. Industry associations focused on issues directly related to their specific business interests, which, in turn, were closely related to emerging questions in industrial and trade policy (DOMESTIC board meeting protocol 18 November 1927). These issues were also considered in a board meeting of DOMESTIC in 1921:

The board has received information that the government and parliament will discuss the customs situation in the next few days. It was decided that a motivation letter should be sent to the government so that the current import duties could be increased at least by 50%. (DOMESTIC board meeting protocol 28 January 1921)

Accordingly, rather than joining forces to promote industry-wide interests or influence society beyond such strategic interests, the specific political activities of industry associations were guided by self-interested and immediate practical reasons. Although the leaders of corporations and industry associations were politically conservative and non-socialist (see, e.g. DOMESTIC board meeting protocol 9 April 1927), these underlying ideological and political values were marginally related to the practical, albeit conflicting, interests of the associations (DOMESTIC board meeting protocol 2 November 1926).

We can identify two primary reasons for why this CPA orientation materialised in the decisions and actions of the associations. First, the broader political context was pragmatically oriented and conservative-minded. There were no acute issues regarding the dominant ideological values after the Civil War. Second, the political system created specific challenges that industry associations tried to solve or mitigate in response. However, these newly established associations lacked experience and resources for a more formal analysis of possible ends and means to these ends. This issue was explicitly reflected in both associations but without any concrete advancements:

Many reports that previously came to DOMESTIC have not been received. The same complaint is heard from FOREST and from agriculture. Clearly, there is something wrong with the current system... The Ministry of Foreign Affairs itself lacks the resources needed to evaluate the quality of the reports and guide the reporting activity. Therefore, the business community, especially those sectors that benefit from economic reporting from abroad, must assist the Ministry of Foreign Affairs. This would best be achieved by supporting the Ministry's efforts to obtain manpower for commercial reporting and generally serving as a suitable body to advise on how economic interests could be better considered than before when organizing our foreign representation. (FOREST Memorandum, unknown date, 1925)

As a result of *procedural* underdevelopment, both associations tried to advance and even optimise their conflicting export- and import-related economic interests by using the same types of political activities and behaving in a relatively reactive manner to achieve short-term returns from these investments (see, e.g. DOMESTIC board meeting protocol 20 December 1927).

## **Phase 2: consolidation of the CPA (1928–1934)**

### ***Political dynamics***

The rise of the Social Democrats and intensified communist activities sparked concerns of a Bolshevik revolution among industry-supporting conservatives and the Agrarian Party (Jussila et al. 1999). These concerns were heightened as conservative representation in Finland's parliament dwindled in the late 1920s. The 1928 economic recession exacerbated social tensions, while global trade policies turned aggressively protectionist, affecting Finland's trade-dependent economy (Hjerppe, 1989). In 1929, President Relander proposed laws to curb communist activities, but this had limited impact. Political tensions continued to rise, leading to anti-communist actions by a radical faction of bourgeois and agrarians. This group formed what came to be known as the Lapua Movement. They demanded the immediate prohibition of communism and restrictions on democratic freedoms. Although many centre and right-wing politicians opposed threats to democracy, the government and parliament largely acquiesced to the movement's demands. However, support for the

movement waned due to the group's violent actions and a failed uprising by its supporters in 1933, which eventually led to its official prohibition (Siltala, 1985).

These events had various impacts on Finland's political landscape. A new right-wing party, IKL, emerged, which drew support away from the industry-backed Conservative Party. In the 1933 parliamentary elections, the Conservative Party continued to shrink, while the Social Democrats gained ground. This result, however, stabilised the political environment and marginalised the most extreme factions (Vares et al. 2006). In terms of trade and industrial policy, the growing complexity of trade agreements and international tariffs necessitated an expanded bureaucracy to handle negotiations (Häggman, 2006). This shift in power transformed the roles of governmental experts compared to the 1920s.

### *CPA dynamics*

The industry associations' operational principles and attitudes directly reflected and were interrelated with the turbulence in the political environment. The practical interest disagreements of the associations did not disappear suddenly, yet growing economic turmoil and the increasing political influence of the socialists and the extreme nationalists directed the industry associations' interests towards broader industry-wide ideological concerns instead of practical questions related to trade and industrial policy (DOMESTIC board meeting protocol 21 March 1930). It would have been a waste of effort and money to seek progress on specific industry and trade policy questions without a parliament that, even theoretically, could be supportive of industrial activities. Nevertheless, the members of the associations were increasingly disappointed that their specific interests were overlooked by political parties (e.g. FOREST board meeting protocol 13 October 1933). The board of DOMESTIC summarised the issue as follows:

Director Sarlin expressed his disapproval of the situation in which political parties had overlooked candidates from business life and industry but simultaneously applied for funding for their campaigns. (DOMESTIC board meeting protocol 2.3.1933)

This situation pushed the industry associations to consider options for collaboration. The initial forms of collaboration for CPA involved supporting interests that all employer groups could easily accept (FOREST board meeting protocol 27 April 1929). This meant an emphasis on more general issues, such as the promotion of capitalist values and the multilingual nation (e.g. FOREST board meeting protocol 13 May 1933). For example, FOREST's Axel Solitander increasingly emphasised in his correspondence and other private writings that the industry should actively support political parties which accepted the ideas of 'modern conservatism'. According to him, such ideas would provide the most beneficial political and social order for industrial firms. One motivation for creating closer links between the industry associations emerged from the fact that divergent campaign funding was less efficient than had been hoped. Both FOREST and DOMESTIC had to reconsider their dominant interests and the ways to realise those interests. The first thoughts in that direction were presented in 1930:

In the discussion, managing director Viljanen emphasized the difficult position in which domestic industry found itself in the midst of party politics. The only way to improve industrial interests is to centralize campaign funding and other political actions. Director Koristo was supportive of Viljanen's opinions but asked whether the association should aim for greater solidarity among all industrial circles. (DOMESTIC board meeting protocol 3 October 1930)

Although the mindsets of DOMESTIC and FOREST began to converge (see, e.g. DOMESTIC board meeting protocol 18 November 1927), their relationships with the labour and agrarian interest groups remained competitive. First, there was no willingness to consider labour unions as legitimate negotiation parties. Second, particularly in the competition between dairy and margarine producers, DOMESTIC perceived dairy producers as aggressive and unjust, which constrained closer cooperation with the agrarians:

The managing director announced that dairy producers are apparently preparing to attack Finnish margarine production...the Eastern Finland Cattle Association has sent a letter to the Economic Planning Committee that provides details of the plans for harming margarine production. (DOMESTIC board meeting protocol 29 October 1930)

Nevertheless, because support for the Conservative Party continued to decline in elections, the parties operating in the political middle ground became more critical as potential supporters of 'modern conservatism'. Therefore, efforts were directed at making at least some members of the Agrarian Party more tolerant towards the industry. Solitander analysed the situation as follows:

Yesterday I discussed with Maalaisliitto's (Agrarian Party) members of parliament. We offered them a dinner in Tornio...I felt that these members were satisfied, and they told me that they recognized that industry tries to make improvements in several aspects...Could the industry establish a new firm with farmers that would arrange the cooking of meals for forestry workers?...Farmers would be involved and they would support us in connection with some issues. (Solitander to V. A. Kotilainen, 20 October 1933, FOREST, correspondence)

Finally, the early 1930s meant re-politicisation of the leading figures in the large corporations and industry associations. Some members of this elite group, such as the CEO of United Paper Mills, Rudolf Walden, were tightly linked to the Lapua Movement (Juva, 1957; see also FOREST board meeting protocol 13 May 1931), whereas others had roles in the Finnish military organisation, which was incrementally preparing for the possible war. For example, Henrik Ramsay, the CEO of a major shipping company, was a leading figure in the negotiations with Swedish industrial associations to secure logistics in case war did break out.

### ***Changes in CPA orientation (Phase 2)***

This period, characterised by political and economic turmoil, emphasises how the CPA orientation was closely influenced by the broader political dynamics. In the 1920s, the associations did not need to specifically address ideological questions. However, the challenging of value-based rules that had been taken for granted in society created a sense of uncertainty for those who preferred the status quo. The industry associations were also forced to reconsider their dominant interests and means to reach their goals (DOMESTIC board meeting protocol 23.7.1930). Both industry associations had to find mutual interests that would also receive support from the broader spheres in society that shared certain capitalist values (i.e. agrarians and the Swedish-speaking minority). As the board of DOMESTIC concluded:

The discussion emphasized the importance of making a closer connection with the nascent right-wing opposition, possibly also with the moderate wing of the agrarians, while cautioning against pinning any hopes on small opposition groups. (DOMESTIC board meeting's protocol 21 September 1933; cf. also DOMESTIC board meeting protocol 18 November 1927).

Accordingly, during this phase, CPA orientation began to augment industry associations' strategic perspective with ideological CPA. The transformation was supported by the increasing professionalisation of the associations (see, e.g. DOMESTIC board meeting protocol 23 March 1933). Because the associations had seen success in solving many of the practical issues in industrial policy and because both associations had become institutionalised as constituents in the national political system, they gained autonomy over the specific needs of the member corporations. It was no longer a game of satisfying or even optimising the lowest common denominator but rather one of influencing society in accordance with values shared by industry-friendly constituents outside the associations. One reflection of this change was the advancement of more systematic propaganda towards citizens:

I received the report concerning economic propaganda. Generally speaking, the plan seems to be relatively ineffectual. The number of radio talks could be reduced and replaced by radio interviews or conversations that have a more direct influence. (Solitander to Ryti, 29 January 1934, FOREST, correspondence)

This situation pushed associations to a more formal calculation of the different means and possible ends of CPA. Thus, along with the rise of ideological CPA, we found evidence for the emergence of procedural CPA (see, e.g. FOREST board meeting protocol 13 October 1933 and Committee for Tariff and Trade board meeting minutes 21 September 1933) where formal processes and rule-following (March, 1994) start to drive associations' behaviour.

### ***Phase 3: towards consensus (c. 1935–1940)***

#### ***Political dynamics***

The political system was relatively tranquil in 1934 and 1935. However, the situation changed after the 1936 election, when the Agrarian Party and the Social Democratic Party were ready to work together to form Finland's government. The right-wing parties were now in the opposition for the first time. Although conservatives were troubled by this development, the coalition of agrarians and Social Democrats was sufficiently strong to remain in power (Jussila et al. 1999).

Ultimately, the clandestine process of preparing for the war and, later, the war against the Soviet Union unified the Finnish nation. Social Democrats and members of the right-wing parties were unanimous in their belief that all of society's efforts should be focused against the external enemy. This agreement led industry leaders and the Employers' Confederation to various informal discussions with the leaders of the Confederation of the Finnish Trade Unions. On 8 January 1940, Minister Fagerholm proposed that the Department of Social Issues should call representatives of both confederations to a meeting to accept one another as negotiation partners in connection with questions concerning labour market relations. Although some of the members of the Employers' Confederation were initially dissatisfied with this joint statement, it soon became a necessity and was publicly regarded as bringing an end to the legacy of Civil War disagreements—or, at the very least, as offering major relief. The attitudes of the conservatives towards the Social Democrats also changed rapidly, and members of both political parties held office in Ryti's government (e.g. Haataja, 1993). The Finnish political system had fundamentally renewed itself from a situation of conflict to one of consensus and institutionalised interests (Bergholm, 2009; Wuokko, 2021).



### *CPA dynamics*

The political and economic turmoil in the early 1930s had pushed industry associations into transforming their political priorities. However, it was in the mid-1930s when most of the changes were truly mobilised. The following new characteristics were observed: (1) formal cooperation between DOMESTIC and FOREST in financing decisions (e.g. DOMESTIC board meeting protocol 23 January 1935), (2) formal cooperation between DOMESTIC and the agrarians, (3) support for the Agrarian Party (e.g. DOMESTIC board meeting protocol 4 December 1935), (4) support for parties rather than individual candidates as in the 1920s (DOMESTIC board meeting protocol 5 December 1935), and (5) an increase in the volume of campaign funding and other political activities.

The single most important aspect of this field order change of CPA was cooperation between the wood-processing and domestic market industries. In December 1934, FOREST and DOMESTIC reached an agreement to establish a new organisation (called the Central Committee of Finnish Industry) that was part of the plan to control campaign funding. This agreement marked an important turning point in terms of the underlying reasoning and practical activities of CPA (e.g. FOREST board meeting protocol 27 March 1935). In fact, many features of the new order constrained the previous rent-seeking activities of the associations. Formal cooperation between DOMESTIC and FOREST meant that both organisations had to make compromises in connection with tax and tariff questions. The industry associations concluded that they had more shared interests than conflicting interests:

In the first meeting, representatives from both associations expressed that they had several such interests to defend that would allow cooperation in campaign funding. (DOMESTIC board meeting protocol 29 January 1935)

Notable changes also occurred in the structure and practices of campaign funding. The increasing influence of the Agrarian Party and the Social Democrats pushed industry associations to cooperate with the Agrarian Party, although this was still difficult for DOMESTIC because it had strongly criticised the foodstuffs tariff policy supported by the agrarians. At the same time, the Central Committee of Finnish Industry abandoned its efforts to choose the sponsored individual candidates and directed its financing only to parties that made the final decisions on who would receive financial support and how much they would receive. This decision was understandable because one of the most important factors in election success was the territorial coverage of a candidate's policy. Consequently, the favourites of industry associations usually came from the largest urban areas and were unknown in rural electoral districts. Furthermore, finding loyal members of parliament was more difficult after the political parties achieved autonomy in their candidate policies in the 1930s.

From the viewpoint of the woodworking industry, the situation is pretty much similar to how it was before the elections. We can only ask how much worse it would be if we had not provided economic support for the election campaigns of some parties... My opinion is that it would be worse. (Solitander's analysis of the elections in 1936, FOREST, correspondence)

The main reason for these changes in campaign funding, however, was the fear of socialism (e.g. Committee for domestic policy board meeting protocol 21 October 1936). The industry associations were openly afraid of the so-called 'Swedish model', in which the agrarians and Social Democrats were in government together. The anti-socialist factor was hardly questioned in industry in general, so it was an easy path to the legalisation of short-term



losses in tariff policy. This issue was repeatedly discussed in both associations and Axel Solitander especially underscored the importance of conservative political values for the industry:

The activation of right-wing politics is essentially important for the interests of industry ... industry should be much more active in supporting right-wing parties and thus more effectively create a high-functioning support group for itself. (Solitander's analysis of the political situation, FOREST, correspondence, 1936)

A public cooperative front of bourgeois people as a tool against socialism has remained an unrealised dream ... the only political party that can deal with the small farmers and in so doing stop the growth of socialism is the Agrarian Party. But this integration with the agrarians should not be visible... there should not emerge any open battle regarding the souls of the crowds. Without any doubts the socialists would be victorious in this battle and Finland would be in the same situation as in 1917. (DOMESTIC board meeting protocol 12 January 1938, appendix report dated as 3 November 1937)

The latter part of the 1930s was also characterised by increasing levels of professionalism, especially in communication strategies (FOREST board meeting protocol 25 October 1935). In general, members of the industry associations understood that the professionalisation of political parties meant that campaign funding could not be expected to yield immediate results. Rather, continuing participation in governmental committees (especially in trade agreement negotiations) was important. In addition, the promotion of conservative bourgeois values and industrial interests in public media became both more important and more professional as the end of the 1930s approached:

Still, the results from large investments in political campaigns have not been satisfactory. For this reason, the association's administration has emphasized the importance of political propaganda and education as means to widen the knowledge of industrial interests from bourgeois circles to other citizen groups to obtain support and importance... the presentation of dry statistical figures should be avoided. On the contrary, visual materials should be used extensively. (FOREST political committee meeting protocol 26 November 1936)

Professionalism also meant that activities related to propaganda were jointly coordinated by FOREST and the DOMESTIC. For example, in early 1938, DOMESTIC directly submitted a considerable sum of money to FOREST for the purposes of agitation and education, whereas in 1939, DOMESTIC produced an extensive propaganda movie before the parliamentary elections. Both associations also systematically distributed industry- and capitalism-friendly information through their own outlets as well as in public newspapers to reach the small farmers and middle-class workers who might support socialist thought. FOREST further increased its information work by founding its own publishing company in 1937.

In addition to the construction of the formal organisation for CPA, emphasis was increasingly placed on political activities that prepared Finland for the expected military conflict with the Soviet Union (DOMESTIC board meeting protocol 23 November 1939). For example, the leading members of both associations (such as the previously mentioned Henrik Ramsay and Rudolf Walden) actively participated in negotiations with Swedish industrial associations regarding war preparations. Notably, the role played by specific members of the business elite greatly exceeded normal expectations as regards the extent to which civilians would participate in war preparations:

Westerlund emphasized that active air defense was the responsibility of the Finnish state, whereas passive air defense belonged to private enterprises. Here, as in all other issues, governmental activities have been slower than what would have been necessary. Especially critical is the 'industrial valley' in Vuoksi. The position of our official management of military defense (Minister Niukkanen) relating to the transfer of private air defense weaponry has greatly harmed the purchasing of these weapons from the industrial regions. (DOMESTIC annual meeting protocol 27 April 1938)

In many ways, the close connection between political interests and the interests of the business elite began to resemble the situation that had prevailed during the Civil War. Finally, after the war against the Soviet Union had broken out, the industry associations became members of the war organisation to facilitate the internal and international supply of goods. However, they also had a central role in the negotiations between the representatives of industrial employers and employees regarding labour market issues. These negotiations alleviated the ideological tensions and enhanced the creation of a unified nation.

### ***Changes in CPA orientation (Phase 3)***

If the second phase saw the emergence of procedural and ideological orientation alongside a strategic approach, the third phase involved the strategic orientation being overrun by the other two. In the previous period, the changes and tensions in the broader political context played a central role in triggering the changes in CPA. During the latter part of the 1930s, the external political changes continued to influence the development of CPA, but changes in CPA orientations were also strongly driven by internal processes (e.g. FOREST board meeting protocol 21 May 1935). First, *via* the creation of the joint formal organisation for the associations' mutual CPA activities, the initial, strategic interests of the associations became increasingly trivial. Indeed, without these changes, functional cooperation would have been problematic.

The circumstances in our country are developing more clearly in the direction that our industrial life, in order to be heard, should organize itself into a united front... Jensen stated that this cooperation is going to be useful for our industrial life. (Minutes of the autumn meeting of DOMESTIC, 19 December 1935)

Cooperation also meant that procedural CPA gained ground as associations became more systematic and professional in terms of evaluating the potential means and ends of CPA. In a feedback loop, as the procedural CPA grew stronger, it further legitimatised ideological CPA. This loop first emerged around a political system supporting the discourse of 'modern conservatism' and then, after the outbreak of the war, around the creation of society-wide consensus. Although the war had shocking effects on the political and economic spheres of society, industry associations were already supporting the creation of the necessary societal consensus. In fact, the individual members of the industry associations that already acted according to this new order of CPA became active and influential participants in governmental processes related to war economy and policy.

### **Discussion: strategic, ideological and procedural CPA**

Previous research on CPA has been characterised by two alternative views. The first looks at CPA from a strategic standpoint, explaining political strategies at the level of firms' pursuit

of competitive advantage. The alternative, ideological view considers firms as part of larger social systems, joining ideological pursuits that are not reducible to firms' interests. Our findings demonstrate this shift from a predominantly strategic practice of CPA to an ideological orientation, governed by centralised CPA driven by industry associations. The shift makes sense against the backdrop of a society that was evolving from a plurality of interests into a corporate mode where the national interest and patriotism of the ruling business elite overruled the pursuit of self-interest.

Our findings highlight the emergence of what we have named 'procedural CPA', a third orientation alongside strategic and ideological CPA. As strategic interests were eclipsed by the 'proper rules and procedures' of procedural CPA, it gained prominence alongside the 'common good' of ideological CPA. Considering the magnitude of the shared interest involved, there is a counterargument that such collective action would still have been 'strategic' to individual firms. Our findings, however, show that the firms not only agreed to channel their CPA resources through the industry associations, but they also accepted the view that they could not expect clear demonstrations of how such contributions would ultimately benefit them. In addition, the governing business elite of the time not only allowed the rise of the associations but voluntarily gave up their power concerning the specific goals and strategies of CPA.

Procedural CPA can be expected to dilute the strategic legitimization of CPA at the firm level. As industry associations become institutionalised into the societal system, their members relinquish their individual interests in return for a seat at society's table. This means that industry associations gain autonomy from their members. Accordingly, procedural CPA is more than a set of processes and capabilities making strategic and ideological CPA possible. Rather than working for a specific economic end, such as competitive advantage, procedural CPA explains the corporate political activities through which means and practices are either made available or deemed legitimate.

It would not be correct, however, to subsume procedural CPA into the ideological view. It is true that, in our case, procedural CPA worked as a device for industry associations to gain the upper hand over individual firms, as they obtained something akin to a professional jurisdiction (Abbott, 1988) over how to influence society from a patriotic standpoint. However, such processes of professionalisation have repeatedly been demonstrated to set up 'an Iron Cage' (Weber, 1930, p. 81) where values and bureaucratic procedures are decoupled. Indeed, procedural CPA is founded on several post-Weberian theories that work with bounded rationality, such as the behavioural theory of the firm (Cyert & March, 1963) and the garbage-can model (Cohen et al. 1972). Both emphasise the historical cumulation of practices and behaviours, rather than rational analysis, in explaining key organisational choices. New organisational institutionalism, with its emphasis on mimetic pressures (DiMaggio & Powell, 1983), that is, pressures to look like other corporations to establish legitimacy, also reinforces a view where CPA practices interact to cohere across the organisational field.

Procedural CPA explains lobbying actions not by what legislative outcomes would be most favourable to the lobbying firm, but by what strategies lobbyists know and favour, and by what type of lobbying is in fashion in the organisational field. These findings suggest that legitimization pressures at the level of associations lead to the formalisation of practices of influence (Meyer & Rowan, 1977). Furthermore, exposure to societal political discourse and societal concerns condition associations to adopt ideological stances beyond the pragmatism

of conducting everyday business. Overall, our findings contribute to the ongoing discourse on CPA's socially complex nature (Lux et al. 2011) and provide a deeper understanding of what historical factors drive CPA orientation beyond strategies and organisational resources.

Our findings raise the question of whether procedural CPA always has such relationships with the other two forms. Does it always diminish strategic CPA while amplifying ideological CPA? Perhaps even more importantly, can procedural CPA become the dominant form, diminishing the two others? Post-Weberian organisation theory does seem to support the view that procedural CPA could potentially corrode the ideology it was set up to serve, as we have demonstrated above. This would seem to suggest that procedural CPA could become the dominant orientation in a particular social context. In such an instance, CPA practice would be guided by a 'logic of appropriateness' (March & Olsen, 2011), which is founded on norms governing proper or professional influencing of society rather than the pursuit of desired outcomes. We would also like to understand circumstances where procedural CPA interacts positively with strategic CPA after ideological emphasis. We did not observe such pendulum shifts (see Shanahan & Fellman, 2021; Wuokko, 2021) in our findings, but can well imagine social circumstances where firms join industry associations in an effort to leverage their professional expertise in reaping desired economic rents. This potential situation raises the question of what role procedural CPA might play in mitigating the problems of collective action.

Overall, our findings suggest a few other fronts for further historical research on CPA that promise to enrich our understanding of the phenomenon (cf. Lawton et al. 2013; Lux et al. 2011). History reveals a multitude of 'unusual' social arrangements between business organisations and societies that are beyond our case (e.g. Decker, 2011; Marinetto, 1999). These arrangements are unusual in the sense that they are not based on strategic CPA and/or competition between economic interests (Kipping, 1996). One of the most famous examples of these arrangements is the cartelised industrial system of Germany in the first half of the twentieth century, in which economic organisations and the state (imperial, Weimar Republic and Nazi) had mutual interests to maintain and build a business system based on protectionism, industrial expansion, and a regulated market economy (e.g. Wendt, 1971). Another well-known example is the recent Russian oligarch-based system in which the interests of business and the government are difficult to differentiate (Yiu et al. 2007). In line with our findings, future research should return to analysing the historical processes of how questionable politics become legitimate, and, especially, how industry associations voluntarily abdicate (Ermakoff, 2008; Scherner, 2008) and become parts of political systems no matter how evil these systems are (Arendt, 1973).

## Note

1. We could also see protectionism versus free trade as an ideological conflict. However, in line with earlier studies on the ideological sources of protectionism (e.g. Jedinger & Burger, 2020 and Nollen & Iglarsh, 1990), we see the conflict as a reflection of higher-order ideological stances (e.g. capitalism vs socialism or liberalism vs conservatism) rather than being the ideological root for the conflict between DOMESTIC and FOREST. Accordingly, when 'free trade' in Trentmann (2008) or McCloskey (2010) represents an overarching ideological backbone of the business elite of the 19th Century UK, in our context, free trade or protectionism had a more instrumental role compared to the patriotic and conservative ideological stance of the Finnish business elite of the time.

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