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Resistance strategies through the CEO communications in the media

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Abstract - This study analyses the strategic responses to institutional pressures through organisational discursive practices. This analysis is developed through an interpretive case study of EDP, the largest Portuguese group in the electricity sector. Our empirical material includes CEO communications in the media from 2010 to 2014, and is interpreted through a theoretical framework derived from institutional theory, developed by complementing Oliver's (1991) strategic responses to institutional pressures with the verbal accounts as defined by Elsbach (1994). The study highlights the country-level institutional structures, the organisations' own characteristics and the power of the constituents involved in the process as important predictors of responses in a complex environment. EDP strategically resisted institutional pressures as it negotiated among competing forces of institutional control, delaying partial compliance to coercive pressures and using time as a resource for organisation actions. EDP's strategies reinforce the argument that organisations may consider unconditional compliance with broader stakeholder interests unacceptable when the profit logic is called into question before the dominance of the neo-liberal capitalist ideology. We have rendered visible the consequences of the project of neoliberalisation and the agenda of state privatisation of the European Union, resulting in a simple redistribution of resources towards shareholders and investors, to the disadvantage of other groups in society.

Keywords: CEO communications; Institutional complexity; Strategic responses; Electricity sector.

1. Introduction

The neoliberal ideology that pervades westerns economies was responsible for two major waves of reforms: privatisation/deregulation initiatives and new public management (Morales, Gendron, & Guénin-Paracini, 2014). More specifically, “Neo-liberal mentalities have led to profound change within accounting, management, and society, towards business and investing, resulting in the dominance of shareholder value” (Stein, 2008, p. 1011; see also Alawattage & Alsaid, 2018). This ideology had repercussions in the energy sector, which has been a stage for profound institutional change in Europe. In addition to institutional pressures that affect most organisations, electricity utilities are subject to specific pressures (Cooper, 2003; Hooks, Coy, & Davey, 2002). The need for regulation and its importance to society means that “it is a politically sensitive industry and therefore one in which government will have an interest” (Cooper, 2003, p. 235). The cost of electricity affects the whole economy and society and can interfere with the level of competitiveness and throw families into situations of energy poverty.

This study aims to analyse the strategic responses to institutional pressures through organisational discursive practices. This objective is operationalised with the development of a contextualised, detailed and in-depth analysis of EDP’s strategic responses through its CEO communications in the media, during the period of 2010-2014, against a background of high institutional pressures and expectations. According to institutional theorists, organisations and particularly those providing a public service (“utilities”) are subject to significant technical and institutional pressures that shape organisations and organisational practices (Scott & Meyer, 1991). EDP is the largest business group operating in the electricity sector in Portugal, supplies an essential public service, operates in an environmentally sensitive sector, and is constantly exposed to ethical, political, economic and social issues.

We build our argument on a theoretical framework derived from institutional theory, developed by complementing Oliver’s (1991) strategic responses to institutional pressures with the verbal accounts as defined by Elsbach (1994). CEO discourse was used as a symbolic management tool that intended to influence the “meaning of acts” to conform with the social values and expectations of the different actors in the complex institutional environment.

Literature suggests that organisations are not just passively constrained by external pressures and expectations. They have interests, capacities and power that influence their choices. Consciously and strategically organisations attempt to promote their interests and to influence stakeholders’ perceptions, adopting a variety of strategic responses aimed at

withstanding threats to their survival and legitimacy (Canning & O'Dwyer 2013; Dhalla & Oliver, 2013; Elsbach, 1994; Oliver, 1991; Raaijmakers, Vermeulen, Meeus, & Zietsma, 2015). To appear legitimate is an important means of protecting key resources.

Deephouse, Bundy, Tost, and Suchman (2017, p. 32) defined legitimacy as “the perceived appropriateness of an organization to a social system in terms of rules, values, norms, and definitions”. While organisations attempt to obtain stability and legitimacy (DiMaggio, 1988; Oliver, 1991), the importance of legitimacy for organisations is more obvious in times of crisis or controversy when legitimacy is *debated* (Deephouse et al., 2017, p. 33, emphasis in the original). Because legitimacy affects organisational performance and survival, organisations have an incentive to respond to challenges to their legitimacy (Deephouse et al., 2017; Suchman, 1995). The meaning of organisational actions is interpreted and pronounced to a great extent by top management (Ginzel, Kramer, & Sutton, 2004). Based on Goffman, Mueller (2017, p.12, emphasis in the original) argued that “reality is not only socially constructed but is constructed *in and through performances* ...[and] talking is an essential part of the performance”. The CEO has, therefore, “a degree of power to define social reality for many corporate stakeholders” (Amernic, Craig, & Tourish, 2010, p.28). In many companies, as argued by Craig and Brennan (2012, p.171, emphasis in the original; see also Amernic et al., 2010), “THE CEO IS THE COMPANY”. Accordingly, the words of powerful CEOs represent an asset (Amernic & Craig, 2017).

Our empirical material includes CEO communications in the media from 2010 to 2014. Literature highlights that CEO discourse has enormous power to frame organisational reality and influence constituents (Amernic et al., 2010). Speeches, press releases, interviews and narrative parts of annual reports, or meetings and corridor conversations are a “set of complex communicative acts with symbolic, emotional, cultural and political overtone” with “an inherently strategic form of ‘sense-making’” (Amernic et al., 2010, p. 25). The CEO uses discourse strategically for symbolic management of organisational activities and practices (Craig & Brennan, 2012; Hambrick & Lovelace, 2018; Mäkelä & Laine, 2011). Accounting is, in this vein, an available rhetorical device (Covaleski, Dirsmith, & Samuel, 1995) to legitimise and promulgate the status quo (Hopper & Powell, 1985).

The literature has provided insights about the role of the CEO's formal and informal discourse in the construction of legitimacy (e.g., Amernic & Craig, 2017; Amernic et al., 2010; Beelitz & Merkl-Davies, 2012; Gendron & Breton, 2013). By directly interacting with organisational audiences, particularly the media, and by means of press conferences and interviews (Beelitz & Merkl-Davies, 2012), the CEO is the social face of the company. In

particular, the media is an often used tool to address issues of public interest and it acts as a social arbiter influencing stakeholders' expectations about organisations and their leaders (Bednar, Boivie, & Prince, 2013). Organisations often provide a public response through the media in an attempt to influence external perceptions about the appropriateness of organisations' activities in a context of institutional complexity (Aerts & Cormier, 2009; She & Michelon, 2019; Zavyalova, Pfarrer, Reger, & Shapiro, 2012; see also Rindova, Pollock, & Hayward, 2006).

This paper contributes to accounting research on corporate communication by enriching literature that examines organisational response through discourses to multiple constituents under circumstances of institutional complexity (Bertels & Lawrence, 2016; Raaijmakers et al., 2015; Vermeulen, Zietsma, Greenwood, & Langley, 2016) and in extending the authorship and forms of accounts beyond annual reports (Merkl-Davis & Brennan, 2017; Nègre, Verdier, Cho, & Patten, 2017; Tregidga, Milne, & Lehman, 2012). By using the insights from interpretive and qualitative methodologies, this paper contributes to improving our understanding of corporate communication through the messages of CEOs in the media and their roles in accountability processes. In addition, it extends institutional theorisations in accounting, illustrating how the integration of Oliver's (1991) strategic responses to institutional pressures, the verbal accounts as defined by Elsbach (1994) and institutional concepts of power and interest contribute to our better understanding of the process of the symbolic management of organisational legitimacy. Finally, the study contributes to critical accounting research on corporate communication by highlighting how corporates' distinctive institutional traits enable organisations to engage in self-interested behaviour, creating particular understandings that reinforce the dominance of capitalist/neoliberal logic.

The remainder of this paper is organised as follows: the second section develops the theoretical framework that guided the analysis of research. The third section presents EDP, the case study chosen for this research, devoting particular attention to António Mexia, the CEO of EDP during the period of analysis. The fourth section presents the research method applied in order to address the aim of the paper. The fifth section describes the institutional environment and the controversy surrounding EDP on the issue of electricity bills and excessive rents. The following section examines the CEO's communications in the media from 2010 to 2014, in response to challenges to institutional pressures. Finally, the last section discusses the findings and presents the conclusions.

2. Theoretical issues

Institutional theorists have contributed significantly to a better understanding of the relationship between organisational structures and practices and the wider social environment in which organisations are located (Dillard, Rigsby, & Goodman, 2004). Within the neo-institutional framework, organisations are open systems that operate and are embedded in a social framework of institutional rules, norms, values and beliefs that shape their behaviours (Scott, 1987, 2001; Scott & Meyer, 1994) and with which they need to conform to legitimise their existence (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Organisational action within any institutional order is therefore guided by broader cultural templates, the “institutional logics” that provide organisational actors with means-ends designations, as well as organising principles (Thornton, Ocasio, & Lounsbury, 2017).

Single or multiple logics pervade organisations (e.g., Dalpiaz, Rindova, & Ravasi, 2016; Pache & Santos, 2013) through external actors including professional organisations, regulatory bodies, or funding agencies, or through internal actors (staff members, executives, board members) that define the appropriate “practices, norms, and values that they have been trained to follow or have been socialized into” (Pache & Santos, 2010, p. 459). The compliance with institutional rules is due therefore, not only to internal factors (efficiency and cost-minimising objectives) but also to external factors, such as access to resources, political power, societal fitness or even organisational survival.

Compliance with institutional demands is, however, particularly difficult, especially in cases of institutional complexity, where organisations depend on and are expected to respond to multiple and sometimes conflicting requirements from uncoordinated actors (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Kraatz & Block, 2017; Vermeulen et al., 2016). Developments in institutional theory suggest that organisational fields are increasingly heterogeneous and that organisations are not unitary actors that make univocal decisions but pluralistic, complex entities composed of various groups with different values, goals and interests that may respond differently to heterogeneity (Dalpiaz et al., 2016; Greenwood et al., 2011). The basis of the power of a group is its claim over resources and rules (Lawrence & Buchanan, 2017). The incumbent groups try to preserve the *status quo* or to reinforce their power (Fligstein, 1997). Institutional change is therefore “a political process that reflects the power and interests of organized actors” (Maguire, Hardy, & Lawrence, 2004, p.658; see also Dillard et al., 2004).

When confronted with multiple or competing logics, organisations may be required to combine, ignore or defy some of them (Pache & Santos, 2010, 2013). In those cases,

organisations can develop strategic and heterogeneous responses in order to resolve institutional complexity and securing legitimacy while assuring organisational performance and survival (Bertels & Lawrence, 2016; Pache & Santos, 2013; Vermeulen et al., 2016). As pointed by Tilcsik (2010, p. 1493), “over time, an organisation may adopt several different responses to the same institutional mandate”. In this respect, Raaijmakers et al. (2015) argued that the path to legitimacy is uncertain, even in the case of coercive pressures, and decision makers may take time to respond to the institutional mandate. To better understand how organisational legitimacy is managed by organisations in a complex institutional environment, Figure 1 provides a theoretical framework to explain organisational strategic responses to institutional pressures.

[insert Figure 1 here]

Despite the new array of literature that explores how organisations respond to institutional complexity, Oliver’s (1991) seminal work already suggested that organisations could respond strategically to institutional pressures. The choice of the organisational strategy will depend on the type of pressures as well as why, how, where, and through whom they occur. In helping to provide an answer to these questions, Oliver (1991, p.159) defined five institutional antecedents – cause, constituents, content, control, and context – that predict the occurrence of alternative strategies that can vary from passive conformity to active resistance. Therefore, in order of increasing active resistance, five types of strategic responses were developed: acquiescence, compromise, avoidance, defiance and manipulation (Oliver, 1991) (see Appendix 1 for strategies and tactics description). In this study we analyse the strategic responses to institutional pressures, following the typology defined by Oliver (1991), through the discursive practices that constitute them, by means of the use of verbal accounts as defined by Elsbach (1994).

Because discourse can add to the understanding of institutional practices, we extend institutional theorizing by linking Oliver’s strategic responses to Elsbach’s (1994) model of symbolic management of organisational legitimacy. Discourses are structured collections of significant texts that do not just describe reality but construct reality (Parker, 2014). But not all actions and texts matter¹. It is only when texts are read and used by others that they have organising properties and the potential to influence discourse. Actions that are more likely to generate texts that leave traces are the ones that are novel and the ones that affect organisational

¹ In this meaning, texts that make up discourses can have different formats: they can be written, but also spoken or represented in some other way (e.g. pictures, symbols) (Taylor & Van Every, 1993).

legitimacy (Phillips, Lawrence, & Hardy, 2004). Actions to pursue legitimacy are likely to produce written, verbal or other symbolic texts to establish, signal or change organisational legitimacy. Elsbach is among the theorists that asserts that the management of legitimacy depends on organisational communication (Elsbach, 1994). Drawing on insights from institutional theory and impression management, Elsbach (1994) developed a model that describes the management of organisational legitimacy from a symbolic perspective. As presented in Figure 1, this model combines two broad forms of verbal accounts with two broad types of contents – accounts may be defined by both their form (i.e. how they are framed) and their content (i.e. how they are built) – and characterises how both the forms and contents affect perceptions of organisational legitimacy.

The two broad forms of accounts include denials and acknowledgments (Elsbach, 1994). Denials are symbolic responses (Ashforth & Gibbs, 1990) signifying a dismissal of the claim that a problem exists, or has existed, with organisational actions (Elsbach, 1994; Lamin & Zaheer, 2012). Elsbach (1994, p.65) recognises that organisational spokespersons frequently give “emotionally charged denials as their initial response to controversial events”. These denials comprise the different strategic responses developed by Oliver (1991), with the exception of acquiescence, which assumes the form of acknowledgment. On the other hand, acknowledgments consist in claiming that: “a negative event occurred, but ...”, “it wasn’t our fault” or “we had a good reason for our actions” or “the ultimate outcome was positive” (Elsbach, 1994, p.65). Acknowledgments have the advantage of improving organisational actors’ credibility (Sutton & Callahan, 1987). The two types of account content refer to technical or institutional features of organisations (Elsbach, 1994). Technical features are related to organisational efficiency and effectiveness issues (Scott, 1995). On the other hand, the institutional features consist of normative and socially endorsed organisational practices (DiMaggio & Powell, 1983; Meyer & Rowan 1977).

The effectiveness of accounts is explained by the audience’s perceptions of the type and seriousness of a controversy, their expertise regarding the issue and their expectations regarding organisational responses (Elsbach, 1994). The author suggests that verbal accounts combining acknowledgments with references to widely institutionalised features are the most effective in protecting organisational legitimacy. Denial response is suggestive of intransigence and can undermine public trust in the organisation (Ashforth & Gibbs, 1990; Lamin & Zaheer, 2012). As a matter of fact, this strategy stigmatises organisations in the public perception, negatively affecting their legitimacy (Ashforth & Gibbs, 1990; Elsbach, 1994; Lamin & Zaheer, 2012). Verbal accounts that refer to technical features may be also ineffective in protecting

organizational legitimacy (Elsbach, 1994). Constituents may perceive technical accounts as “self-serving rhetoric that puts industry interests ahead of the welfare of the public”, or as insufficient explanations for organisational actions (Elsbach, 1994, p.75). The verbal accounts provided by individual actors – how they are framed and how they are built – will influence stakeholders’ perceptions, and consequently institutional pressures. In turn, power and interests of different actors condition both the institutional pressures and the verbal accounts over time. This supports the study of legitimacy as “a continually unfolding process in which different scenarios can be identified at different points in time” (Deephouse et al., 2017, p.4), as represented by the arrow in Figure 1. For empirical support, we apply the framework, as systematised in Figure 1, to analyse the organisational strategic responses to institutional pressures.

We extend institutional theorizing by linking Oliver’s strategic responses to institutional pressures with Elsbach’s verbal accounts to symbolically manage organisational legitimacy. Organisations are nested in a complex institutional environment. The path to legitimacy is not a straightforward one, and organisations, based on their institutional antecedents, respond strategically to institutional pressures, as proposed by Oliver (1991). Therefore, it is important to pursue a deeper understanding of how particular organisations engage in different response patterns over time (Greenwood, Oliver, Lawrence, & Meyer, 2017). Similarly to Albu, Albu and Alexander (2014), we do not test those antecedents, but we use them as theoretical lenses in order to better understand our empirical findings. By focusing on institutional and technical characteristics of organisations that might serve as the content of accounts in response to legitimacy threats, Elsbach’s (1994) model enriches Oliver’s (1991) model of strategic responses.

Organisational response is visualised through discourses, be they written, spoken or represented in some other way, other than actions *per se*. Verbal accounts, as developed by Elsbach (1994), are therefore strategies that convey how organisations explain their behaviour to manage stakeholders’ perception and their legitimacy. In visual terms it is possible to say that Oliver’s (1991) strategies are the “envelopes” that include the technical and institutional features of verbal accounts. In practical terms, and for analytical purposes, Oliver’s strategies are put into practice through the forms of verbal accounts, as developed by Elsbach, represented in Figure 1.

3. The company and its CEO

This paper is based on the EDP case for several reasons. First, the company is a significant object of study for research into organisational strategic responses while facing constant challenges to its legitimacy due to the production contracts and support schemes of the electricity system. These represented controversial issues that directly affected EDP in the period from 2010 to 2014. In particular, the *Custos para a Manutenção do Equilíbrio Contratual* (CMEC) [Costs for the Maintenance of the Equilibrium System] paid to EDP under the ordinary regime generated considerable negative publicity in the media, an organisational legitimacy barometer (Deephouse, 1996). The second reason is related to the visibility and economic importance of the company in the domestic business environment. EDP is regarded as a relevant company in a sensitive sector from a political and social point of view, and therefore it is exposed to strong pressures and institutional expectations. The electricity sector and EDP in particular were targets of intense debate and political attention over the period under study. The electricity sector suffered the impact caused by the Portuguese request for financial assistance in May 2011, which led to the signature of a Memorandum of Understanding (MoU) with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF), known as the Troika. Public expectations that EDP should comply with the rules and the institutional pressures were particularly high. When a sector is “‘politically salient’ as a result of economic, political, historical, or cultural attributes”, it creates a “widespread public interest in its operation and outcomes” (Henisz & Zelner, 2005, p. 362). In this sense, EDP proved to be a subject matter of interest for a theoretical understanding of “how” companies respond strategically to institutional processes through the CEO’s communications in the media.

During the period of analysis, António Mexia was the CEO of EDP. He became CEO of EDP in 2006 after leaving the XVI Constitutional Government, where he was the Minister of Public Works, Transport and Communications. During his mandate, and following the European framework of policy liberalisation, the Decree-Law no. 240/2004 was issued. The Decree-law allowed the creation of the CMEC in replacement of the *Contratos de Aquisição de Energia* (CAE) [Power Purchase Agreements], which was requested to end under the 2003/54/EC Directive of 26 June 2003 (EC, 2003). He is also considered to be a CEO with greater media coverage and a Portuguese manager with highly developed communication skills, which gave him “media strength and power to influence his peers” (Sobral, Guerreiro, & Prado, 2013, p. 23). António Mexia had “against him the public opinion, always critical about the rise

in the cost of energy” (Sobral et al., 2013, p.23), but he used his communication skills in favour of, and to defend, EDP interests.

In March 2012 the Secretary of State for Energy, Henrique Gomes, resigned. This resignation was “irredeemably linked to the power of António Mexia” (Andrade, 2012, p.67). Henrique Gomes was known to have publicly questioned the power of EDP in the electricity sector. During the eighth stage of EDP reprivatization, the CEO “has succeeded to curtail the reformist impetus of the Secretary of State for Energy to apply a special levy on the energy sector which had EDP as the primary target” (Prado & Garrido, 2014, p.30). The proposal failed. António Mexia defended “tooth and nail” EDP contracts and rents before the government (Prado, 2012a, p.6).

The issue of the rents in energy leapt into the public arena with the signing of the MoU. The sustainability of the electricity system and the worsening of electricity costs were two concerns of Troika with an impact on the competitiveness of the Portuguese economy. International bodies assumed that there were excessive rents in the electricity sector (EC, 2012b). Regarding the energy policy, the MoU included a set of measures relating to the electricity sector that Portugal was obliged to respect. The need to comply with these measures and the financial and economic crisis intensified the debate on national energy policy. Renewable energy and CMEC were two of the compensation schemes imposed by cost reduction measures to ensure the sustainability of the national electricity system. The CMEC scheme was a significant part of EDP profits. EDP in the past had always rejected benefiting from excessive rents, making the government task to limit the policy costs embedded in CMEC difficult.

Henrique Gomes left the government nine months after the beginning of the legislature in March 2012. The exit of the Secretary of State for Energy was widely reported in the main media in Portugal and the criticisms against EDP and its CEO intensified. EDP was regarded as “a state within a state that gave orders to successive governments” and its CEO was accused of “challenging the government” in office.² Officially, Henrique Gomes left the government for personal reasons, but it became general public opinion that he had lost the “war” against EDP to reduce excessive rents (Andrade, 2012, p.67; Baptista, 2012, p.8). The weekly newspaper *Expresso* described the former Secretary of State for Energy as “an annoying voice (...) because he was the first to face the interests of one of the most powerful lobbies in Portugal:

² See <http://www.tvi24.iol.pt/videos/antonio-mexia-e-uma-pessoa-muito-poderosa/53f502113004540d1c4ea06d/2240>, accessed on 17 July 2012, and also http://economico.sapo.pt/noticias/mexia-e-uma-pessoa-muito-poderosa_140493.html, accessed on 8 April 2012.

the electricity sector” (*Expresso*, 2013, p.2). On April 23rd 2013, in an interview on the TV station *SIC Notícias*, the Minister of Economy acknowledged that the exit of Henrique Gomes was due to a mechanism of energy lobby interests, a version which was confirmed by Henrique Gomes himself in an interview with the same TV station the day after.

António Mexia enjoyed “a relationship with [political] power” that provided him “praise and, of course, criticism” (Prado & Garrido, 2014, p.30). Critics argued that António Mexia was the strong man in the energy sector in Portugal and had won the renegotiation of EDP rents (Bastos & Saraiva, 2012). It is important to highlight that from the beginning of the reprivatisation process, EDP had always strong direct ties to the largest political parties in Portugal. Since the 1990s, more than two dozen former members of Portuguese governments have passed through EDP’s corporate boards (EDP, 1997-2011, 2012a, 2013). EDP always had linkages to the policy-making process. As argued by Henisz and Zelner (2005, p.375), a “‘privileged’ organization, such as a long-standing incumbent, a state-owned enterprise or its privatized progeny, or a national champion, possesses the strongest ties to relevant political actors,” namely those who control resources required by an organisation, as is the case of EDP.³

4. Research Method

This research employs a qualitative case study within a methodological interpretive approach. We respond to the call by Beattie and Davison (2015) and Palea (2017) for more qualitative and critical research and in-depth analysis in an age of great uncertainty and change. The adoption of a case study is of particular interest in this research, since it facilitates a rich understanding of the environmental context influencing strategic responses of organisations to institutional pressures, and also of the processes being enacted (Parker, 2012). As argued by Cooper and Morgan (2008, p. 159), case study research is of particular relevance in “situations of uncertainty, instability, uniqueness, and value conflict”. The sources and the method of analysis are addressed in the following subsections.

4.1.Sources

All source documents are publicly available. Thirty-one communications by António Mexia in the media from March 2010 to February 2014 were collected. These include interviews in newspapers, magazines, and on radio and television stations, as well as statements

³ Henisz and Zelner (2005) argue that examples of companies whose competitive advantages appear linked to managing relationships with governments are abundant, especially in capital intensive industries or those marked by a strong public interest.

in press conferences (see Table 1). The CEO interviews on the radio and television stations were transcribed by the first author. It was also necessary to elicit a detailed examination of other relevant sources in order to understand institutional expectations regarding EDP's activities. These documents allow us to understand the environment in which EDP operated and to obtain useful information on relevant institutional actors. These data sources include: *Entidade Reguladora dos Serviços Energéticos* (ERSE) [Energy Services Regulatory Authority] reports and opinions of the ERSE Tariff Council; reports, recommendations and communications from the *Autoridade da Concorrência* (AdC) [Portuguese Competition Authority]; the Memorandum of Economic and Financial Policies; the MoU; reports and press releases of the IMF, the EC and the ECB; reports by the *Banco de Portugal* [Central Bank of the Portuguese Republic] and the Organisation for Economic Cooperation and Development (OECD); government reports and press releases; several legal acts; press releases issued by the *Associação para a Defesa do Consumidor* (DECO) [Portuguese Association for Consumer Protection]; statements of officials and former officials; statements by representatives of the IMF, the ERSE, trade and industry associations and business leaders to the media; EdpON Magazine⁴, EDP annual reports and communications to the market; national newspapers and websites.

[insert Table 1 here]

Institutionalists suggest that the analysis of media sources may be particularly useful for studying the process of organisational legitimation (Baum & Powell, 1995). Previous research finds that corporate communications in the media provide appropriate “data that offer real-time accounts on events” (Sonpar, Pazzaglia, & Kornijenko, 2010, p.5). For instance, Nègre et al. (2017) examined press releases used by French Firms in order to announce downsizing operations and find that the disclosure of press releases is driven by both contextual and legitimacy factors. Stakeholders’ statements in the media provide information about institutional demands and expectations with regard to organisational behaviour. Indeed, a major function of the media is to provide a platform for disseminating stakeholders’ views concerning organisations (Bednar et al., 2013). The use of more than a single media source enables more informed interpretations of particular events (Archel, Husillos, Larrinaga, & Spence, 2009). We

⁴ This magazine is “delivered to important external partners – parliament chambers, parliamentary groups, academic institutions ... [a] function that makes this one of the most strategic means within the EDP Group” (EDP, 2013, p.34).

believe that the newspapers and magazines and also the television stations we have selected provide a reasonable indication of the extent and tone of media coverage of controversial issues involving EDP and of the strategic responses by its CEO.⁵

The identification of relevant publications for analysis was performed weekly through a search on the on-line newsstand at the initial phase of research. Later in the period from the end of 2011 until September 2014, considering the attention paid to the issue of electricity prices and excessive rents, it became an almost daily process. Whenever the full text of the press communications was not provided on-line, we secured a paper copy. During the research process, any António Mexia's interview that was missing was obtained in the *Biblioteca Municipal de Braga* [Municipal Library of Braga].

4.2.Method of analysis

From the sources used to understand the environment in which EDP operated, the initial objective of the analysis was to draw up a schedule of successive events and attacks upon EDP's image and legitimacy to identify key stakeholders and understand their roles in the institutional process from 2010 to 2014. Through an examination of the chronologically organised data, it was possible to understand how societal actors perceived the information provided by EDP, what they expected from the company and what they considered to be appropriate organisational behaviour. With this contextual approach, we were able to capture "relevant features of shared understandings" or "sets of collective meanings that condition how organizational actors interpret and respond to the world around them" (Ventresca & Mohr, 2002, p.819). The CEO communications were also organised chronologically.

In the next phase, a multi-stage qualitative content analysis process was undertaken to investigate how EDP responded to the expectations of societal actors. Iterative processes were conducted individually by the first three authors. The theoretical framework, as formerly proposed, was used as an interpretive lens to analyse EDP's CEO responses to institutional pressures and expectations.

Consistent with previous qualitative research, we used a modified form of content analysis (e.g., Canning & O'Dwyer, 2013; Shapiro & Matson 2008) to examine the CEO

⁵ All articles and interviews published in print media and used in this research are publicly available on paper version in the *Hemeroteca Municipal de Lisboa* [Municipal Newspaper Library of Lisbon]. In Portugal, there are no databases which provide access to the full text of articles published in the print media.

communications.⁶ The analysis was not limited to examining the manifest content of the evidence, but also extended to the latent content (Berg, 2001). From this perspective, we considered not only what was said, but also “under what circumstances” it was said (Shapiro & Matson, 2008, p.205).

In order to increase internal validity and reliability, the coding process was applied to each CEO communication independently by the first three researchers. In the first stage, Elsbach’s (1994) model guided the analysis in relation to the accusations faced by EDP and the consequent challenges to its legitimacy. Guided by Oliver’s (1991) typology, the second analysis phase sought to reveal the specific strategies adopted by the CEO of EDP. In the last step of the analysis, the main themes were interpreted and discussed. Later a joint analysis was made and any divergences debated until consensus was reached. To increase the reliability of our conclusions (Shapiro & Matson, 2008), we have highlighted examples that illustrate interpretations and expectations of key societal actors concerning EDP’s behaviour and its CEO’s, as well as several excerpts from António Mexia’s interviews. The choice made was to transcribe in bold the questions asked during the interviews, every time they proved to be relevant for clarifying the strategic response or whenever the issues emphasised in the question clearly showed the importance the external constituents placed upon a particular social problem and, as consequence, the institutional pressures exerted on EDP. The question is followed, in italics, by the answer provided by António Mexia. The reference at the end of the quotation identifies the journalist to whom António Mexia granted the interview.

5. Institutional environment complexity: the issue of electricity bills and rents in the electricity sector – an endless debate

Within the scope of EFAP, Portugal undertook a set of measures in the budgetary area, including a privatisation programme. This political process reinforced the neoliberal ideology of privatisation and market control as ‘higher order principles’ for institutional reform (Alawattage & Alsaid, 2018, p. 26, emphasis in the original). The Major Planning Options for 2012-2015 defined a fiscal consolidation strategy consistent with the objectives of the EFAP. The privatisation programme was in line with the objectives of reducing the weight of the State in the economy and the deepening of European integration, in particular through the opening up of public company capital to foreign investment (Law 64-A/2011, 30 December). So, the last phase of reprivatisation of EDP resulted from an emergency imposed by the MoU under

⁶ Qualitative content analysis is the appropriate term to describe the approach to processing the data (e.g., Berg, 2001; Canning & O’Dwyer, 2013).

the EFAP. At the end of 2011 the eighth phase of reprivatisation of EDP occurred through the direct sale of 21.35 per cent of EDP's share capital to China Three Gorges Corporation. The programme's structural reform agenda in the network and sheltered services sectors has established a number of commitments, including the conclusion of the electricity market liberalisation, the promotion of competition and the sustainability of the national electricity system. This demonstrates that political actors led Portugal to institutional transformations consistent with the neoliberal agenda and the market logic that had pervaded the Portuguese electricity sector. Over the programme, 12 review missions took place. In total, Portugal received 11 disbursements, corresponding to approximately 97 per cent of the agreed package.

The cost of electricity was considered a threat to the competitiveness of the Portuguese economy and marked the agenda of the EC and the IMF during the EFAP (EC, 2012b). The issue attracted the media attention and it proved to be controversial for EDP. The company was accused of being the main beneficiary of the excessive rents in the electricity sector at the expense of consumers and the economy. This gave rise to an endless debate concerning electricity bills and rents to energy suppliers.

The deterioration of the Portuguese economy illuminated the controversy around electricity prices. In 2009 serious criticism arose regarding the Portuguese energy policy. The support schemes for renewable producers faced growing opposition from certain sectors of the civil society and economy, arguing that the subsidies to renewable energies granted to producers contributed to "aggravate, in an unjustifiable manner, the electricity prices to smaller and retail end-users of electricity, particularly families" (Silva, 2010, p. 18). However, renewable energies were not the only ones with additional costs which in turn increased electricity bills. This reality extended to electricity production under the ordinary regime. The opinion by the ERSE Tariff Council confirmed that the growth of the *Custos de Interesse Económico Geral* (CIEG)⁷ [Costs of Services of General Economic Interest] put the sustainability of the electricity sector at risk (ERSE, 2010).

With the creation of the Iberian Electricity Market, by July 2007, the pre-existing CAE that prevailed in the Public Electricity System became extinct and was replaced by the CMEC compensation scheme. In force since July 2007, this mechanism was regulated by Decree-Law no. 240/2004, of 27 December. In both schemes, asset remuneration was guaranteed and independent from market income.

⁷ The CIEG include the additional costs associated with the production of electricity under the special and ordinary (CMEC, CAE and power guarantee mechanism) regimes, the rental payments to the municipalities and others costs, such as those engendered by the geographical situation of the Portuguese autonomous regions (ERSE, 2011).

In April 2004, the AdC presented a report which identified CMEC as a distortion of competition “biased” in favour of EDP (AdC, 2004, emphasis added). The excessive nature of the remuneration provided by CMEC was identified from its origin by ERSE. The regulator’s view of the proposal of Decree-Law no.240/2004 pointed to its negative consequences in terms of electricity prices and the risks of overcompensation beyond the expected profitability of 7.5 percent, at the “expense of consumers” (ERSE, 2004, p.153). The Decree-Law no. 240/2004 resulted in a decrease in the regulatory power of ERSE in the definition and monitoring of compensations payments received by energy suppliers, particularly in relation to the supervision of CAE. Conflicting interests between the State shareholder and the State regulator help to explain the issue of excessive rents in this specific context.

The strong impact that CMEC had on end-user electricity prices led the EC, the IMF and the ECB to impose a revision of the compensation paid to producers under the ordinary regime until the end of 2011. The decision would affect the expected EDP revenues, a reason for which the company led by António Mexia fought against any change that would harm the contract value previously assumed by the Portuguese government.

The year of 2012 emerged as a very contentious one for EDP with the involvement of the government and the company in “disputes around the rents” in the electricity sector (Prado, 2013b, p.16). The renegotiation of the support to energy producers was one of the most newsworthy of the year and motivated reactions from a range of political backgrounds. In an interview with a business newspaper, when questioned on the position taken by EDP regarding the revision of the CMEC, Henrique Gomes argued that “to the excessive market power and influence of EDP, the government must impose public interest. It is a question of sovereignty” (Prado, 2012b, p.10). Jorge Vasconcelos, former president of ERSE, stated that, in ten years of political functions, he had “the opportunity to interact with seven Ministers of Economy and all of them, with no exception, benefited, one way or another, the national champion [EDP]. (...) it is completely privatised, but there is an unhealthy culture of promoting national champions” (Ferreira, 2012b, p.4).

Henrique Gomes resigned as Secretary of State for Energy after having been hindered in presenting his remarks in a public university (Lisbon School of Economics and Management) on the case of excessive rents (Garrido, 2012). Immediately after his resignation, Henrique Gomes publicly denounced an extremely serious event: the supposedly “confidential” report drawn up by the office of the Secretary of State for Energy and sent to the office of the Prime Minister, a few hours later, was in the hands of the board of EDP (Sequeira, 2012). EDP indicated on several occasions that it would fight to defend its interests and always left open

the possibility of taking legal action (A.M. Gonçalves, 2013; Prado, 2013b). The third review of the EFAP imposed an obligation to eliminate the power guarantee mechanism support and to reduce explicit subsidies for the cogeneration regime. In other areas, which included the CMEC of EDP and renewable energies, the government adopted a negotiation approach. The differential treatment was justified by the existing contracts between the state and the companies, where EDP was an especial case.

The *Siderurgia Nacional* [National Steelyard] admitted closing the facilities in Portugal and relocating its economic activity to Spain with the threat of dismissal of 750 employees (Lopes, 2013). At stake were the high electricity costs: “totally inadequate as far as the reality is concerned” (Andrade & Atalaia, 2013, p.17). The AdC recommended that the government commissioned an independent audit of the risk of over-compensation in the adjustment calculations of the CMEC scheme (AdC, 2013). This regulator pointed out that the manner in which [...] CMEC are calculated enabled EDP to control the compensations received and “enlarge the economic advantage over its competitors” (AdC, 2013, p.6).

In October 2013, the government announced a special levy on energy operators. Part of the revenue generated by this levy aimed to reduce the tariff debt. The largest energy operators protested against the new measure. EDP was one of the first to react. The “arm wrestle” became quite clear (Mendes, 2013, p.14), but EDP did not succeed in avoiding the levy collection. At the end of April 2014, the government presented a third package of measures to reduce energy costs, but this was not only directed at electricity companies but at the whole energy sector. The energy rent cuts imposed by the EFAP were scattered over different players, thus mitigating the impact on EDP annual accounts (EDP, 2014; Prado, 2014).

Table 2 shows the dates of the main events and documents which exert institutional pressures and impose expectations on EDP.

[insert Table 2 here]

6. The CEO’s discourse and the quest for legitimacy

The controversy involving EDP regarding the issue of electricity bills and excessive rents in the electricity sector gave rise to several accusations that took on newsworthy contours. During the period of analysis, it was possible to identify complex institutional pressures and main accusations addressed to EDP. Table 3 summarises the main accusations and the corresponding strategic responses by the EDP CEO, which will be then analysed.

[insert Table 3 here]

6.1. Electricity prices in Portugal are higher than in other EU countries: denial and manipulation

The proposal for the average rise in electricity prices for 2011 was conditioned by the new increase of the CIEG in electricity bills and amounted to EUR 2.4 billion (ERSE, 2010). This figure represents an increase of 31.8 per cent compared to 2010 (ERSE, 2010). In December 2010, the DECO submitted a petition to the Portuguese Parliament to pressure the government into reducing the CIEG and, consequently, the bill paid by consumers (DECO, 2010). ERSE argued that CIEG accounted for more than 40 per cent of the average price paid by end-users of the low-voltage segment – households (ERSE, 2010). The ERSE Tariff Council advocated urgent and effective measures for reducing CIEG in the electricity sector, a situation about which the regulator had been warning since 2007 (ERSE, 2007). The ERSE's warning call and the pressure exerted by the association led to an extensive debate on the subject in the Portuguese Parliament in January 2011. Both attempted to transform this institutional arrangement by influencing the parliamentary parties to enact new legislation. These pressures put the issue on the policy-making agenda. During the debate with DECO, ERSE, EDP and representatives of business associations, the Confederation of the Portuguese Industry ensured that the companies in Portugal were subjected to excessively high energy prices – much higher than the prices of Spain, hence impairing them in their competitiveness (Prado, 2011).

The CEO had always denied that electricity prices in Portugal were higher than in other EU countries, but when confronted with the growing number of complaints from representatives of the national industry, as well as from DECO and the regulator, EDP made increasing use of strategic responses beyond the simple denial, moving on to manipulation. The company tried to manipulate its institutional environment through an influencing tactic, with António Mexia arguing that electricity prices were not a problem for Portugal's competitiveness, for households or even for companies. The CEO relied repeatedly on Eurostat and *Instituto Nacional de Estatística* (INE) [National Statistical Institute] – two institutional references. It seems likely that this indicates that the CEO intended to render its accounts more trustworthy:

Instead of distributing dividends to the shareholders and raising the wages of the employees, did you not think more about your customers? A lot has been said on the price of electricity. This is a very important issue! The last statistical data from Eurostat – not ours, people like European statistics, here it is, Eurostat. And Eurostat tells us one thing: Portugal has, both for domestic and for industrial, prices below the European average and that of Spain. (Ferreira, 2011)

The CEO of EDP seemed to believe that the reference to these normative features would provide constituents with validating evidence to support the accounts, in line with Elsbach (1994). EDP's position "on the generation market meant that, virtually all of the time, EDP was indispensable to satisfy demand of electricity" (AdC, 2009, p.26), making consumers almost captive. The regulator itself had limitations in terms of independence and administrative autonomy, which the EC and the IMF sought to strengthen through the transposition of the Third EU Energy Package by the end of June 2011. The reprivatisation process initiated in 1997 did little to change the "monopoly character" of the company. It is in this context that EDP maintained a clearly low risk profile, with a business model based on almost 90 per cent long-term contracts and regulated activities (EDP, 2012a), thereby reducing uncertainty regarding future income. In this type of scenario, when organizations were not heavily dependent on the source of pressures, and the degree of uncertainty is low, the more active strategies were a response to institutional forces (Oliver, 1991).

Always sticking to the European or national statistics not adjusted for purchasing power, António Mexia fought back, repeatedly, stating that the electricity prices in Portugal were below the EU average.

The Portuguese can rest assured, in the sense that energy is on the side of the solution in Portugal. (...) prices in Portugal are lower than in Spain, our neighbour, and the European average. That is true for companies, which makes it easy to understand that there is no competitiveness problem for electricity. It only represents 1.7% of business costs. (...) Energy represents 2.5% of the shopping basket of households. All these figures come from Eurostat or other European statistics. We do not, therefore, have any problem with competitiveness or quality of life due to electricity. (Marcelino & Baldaia, 2012, p.9)

The selection of specific Eurostat's official statistics (not expressed in purchasing power standards) reveals an attempt by the CEO to influence the external constituents perception of the "myth" concerning the idea that electricity was a part of the problem of Portuguese economic growth. The same strategies were seen in EDP Annual Reports. Based on Eurostat statistics, the EDP Annual Reports pointed out that retail electricity prices in Portugal have been consistent with EU's average both for industrial and domestic users (EDP, 2011, 2013). But Eurostat data indicated that, when adjusted for purchasing power, Portugal had the fourth highest household electricity prices in EU27 (EC, 2013).

6.2.EDP is responsible for the increase in electricity costs: denial and avoidance

EDP was accused of being responsible for the increase in electricity costs. António Mexia adopted denial and avoidance strategies as a response. More specifically, the company used a buffering tactic to reduce external constituents' scrutiny by avoiding any responsibility

for the increase in electricity bills. This defensive response was used between 2011 and 2013 when EDP was facing pressure and expectations from the government and the remaining constituents, whose prescriptions conflicted with the business interests of the company. The evidence suggests that the CEO brushed off responsibility for any increase in electricity bills onto other agents or external factors and in this way tried to create a scapegoat for the problem.

The opinion by ERSE Tariff Council confirmed that the sustainability of the electricity sector was at stake (ERSE, 2010). António Mexia resorted to buffering tactics to avoid any responsibility for determining the definition of the electricity tariff, arguing that it was defined by ERSE in the regulated market and by competition in the liberalised one. The reference to a normative procedure – ERSE – seems to support the denial tactic making it more believable.

It is clear! But regarding the petition by Deco: is there, or is there not, margin to lower the electricity bill in the short term? *Once again, I would like it to be clear: the establishment of the electricity bill has to do with decisions – whether from the regulator [ERSE], in the regulated market, or options of energy policy – which are not ours to make. Both the former and the latter – we have nothing to do with that. And in the component “energy”, it is all about competition. EDP has, nowadays, strong competition, particularly from the Spanish operators: Endesa, Iberdrola, Gás Natural... all of them. (Marcelino, 2011, p.4)*

The CEO also drew on neoliberal rhetoric to avoid accepting the responsibility for the increase in electricity costs, justifying that the liberalisation has allowed the market to work. And stated that “... the market works! What needs to be done for this? Competition. And the Iberian market is one of the most competitive. The wholesale market price at MIBEL was the lowest in Europe ...” (Marcelino & Baldaia, 2012, p.9). But although open to competition, in practice the electricity sector functioned under remuneration schemes, such CAE, CMEC and feed-in tariffs, and was “highly concentrated in the hands of the incumbent” (OECD, 2013, p.14). Indeed, the regulator itself reported that the sum of the guaranteed price energies (among which are PRE + CAE + CMEC) corresponded to 91 per cent of the global consumption, implying that under these conditions effective market competition had a very reduced expression (ERSE, 2013).

The CMEC were considered one of the main policy costs embedded in CIEG (ERSE, 2010). EC indicated that the CMEC regime was “one of the main factors behind the continued build-up of the tariff debt” (EC, 2012a, p.38) and all the CMEC power plants belonged to EDP. António Mexia tried also to disconnect EDP from the problem by claiming that the company had nothing to do with CIEG as EDP only charged this in order to later hand in the revenue. This clarification came following the petition presented by DECO, which asked for cost-cutting measures in the electricity sector. António Mexia wanted to make it clear that there was a set

of costs charged in the customer's bill which were related to the energy policy defined by the government and not by the company.

Following the complaint by DECO regarding the composition of the electricity bill, even after the explanations presented [by EDP], people still think they pay the most expensive electricity in Europe. To us, that issue was important. Firstly, it enabled us to explain that, in more than half the households bill, EDP is charging for a third party. I believe the message went through. We did an opinion survey that concluded that people understood that there are a lot of things which have nothing to do with energy. Will it matter to repeat it yet again? Then that is what we will do. (Lima & Andrade, 2011, p.6)

CIEG included the additional costs associated with electricity production under the special regime relating to renewable and non-renewable energies. António Mexia highlighted that it was “fundamental” to separate the different technologies so that the public did not form a mistaken view about the real cost of electricity production from renewable energy sources. In December 2010, António Mexia was heard at the Portuguese Parliament by the Economic Affairs and Energy Committee⁸, to which he presented the version of EDP on the impact of such technologies on the electricity sector. The CEO emphasised that the production of electricity under the special regime was divided into 55 per cent wind energy and 45 per cent cogeneration: the latter benefiting mainly the industry and not having anything to do with renewable energies (*Jornal de Negócios*, 2010), buffering the pressures that came from the multiple constituents.

The main arguments against the strong policy emphasis on the production of energy under the special regime were not related to technology, but rather to the ineffective policy of subsidising. According to the regulator, the additional cost of special regime production for 2011 was up 50 percent over 2009 (ERSE, 2010). The CEO defended this, arguing that the renewable energies in Portugal were not a structural additional cost. The denials were supported by institutional arguments, which repeatedly signaled the positive effect of renewable energies both on the stability of electricity prices and on the national energy bill:

There is a petition from DECO against... *Before the petition from DECO... I have absolutely no doubt that, from the renewable point of view, the joint bet on wind and water is very important – on which we have, right now, the biggest project for water development of all Europe; they are own resources, which replace imports. And all renewable sources of energy, last year, saved Portugal EUR 850 million in transfer of wealth abroad. This means that, the Portuguese need to work less hours today in order to import energy. This is the main issue. Energy is half the external deficit.* (Marcelino, 2011, p.3)

⁸ This was the only committee at which the CEO testified during the period of study.

The denials were also combined with reference to technical features. In fact, he explained that wind energy generation was fully competitive, justifying the commitment to this type of technology on the basis of its efficiency, as the following transcripts demonstrate:

Do you bluntly stand by that what the consumers pay extra for the production under special regime in the bill should be maintained because there is a strong wind component and is it justified? *What I think is that we have the lowest wind tariff in whole Europe. It is the lowest remuneration of the entire new wind farm there is in Europe.* (Ferreira, 2011)

A wind farm today, with a barrel of oil at 105 dollars – even taking into account the thermal backup energy when there is no wind – is competitive, for example, with a gas central. (Lima & Andrade, 2011, p.6)

In response to the increasing activity and visibility of DECO and the regulator in the political debate, the CEO put the focus on the international evolution in the price of fossil fuels as largely responsible for the rise in electricity tariffs. In this regard, António Mexia stressed that most of the tariff debt was incurred in 2008 when the government impeded the passing-on of oil price increases in the end-users' tariffs, and thereby tried to avoid the conditions that made conformity necessary: "The deficit (tariff) was created in 2008, in Portugal, due to the rise of the price of fossil fuels. It has nothing to do with the renewable energy ..." (Lima & Andrade, 2011, p. 6). Later, António Mexia explained the burden using a fiscal reason, arguing that the increase of the VAT rate from 6 to 23 per cent for electricity in October 2011 led to an increase in the price of electricity (Sousa, 2012).

The coercive pressures exerted by the EFAP has buttressed normative expectations. The second update of the MoU required a report on the efficiency of support schemes for renewables and the possibility of agreeing a renegotiation of the contracts in view of a lower feed-in tariff for existing contracts in renewables (EC, 2011b). The EDP *Renováveis* (EDPR) Annual Report highlighted the "number of persistent myths about renewable energy that have penetrated public opinion" and were "influencing the political landscape around the world", giving the misconception that renewable energy would always rely on subsidies to be competitive (EDPR, 2013, p.8). In the political discussion about the issue, António Mexia responded by arguing that EDP as being only one of the market players and almost all of the business of EDPR was situated outside Portugal, buffering the company from institutional pressures:

The deadline ends at the end of the month, the Troika makes the decision regarding the next tranche of loan to Portugal depend on the solution of this commitment. (...) *Very often [the attention] is focused on EDP, but there are many other operators. Particularly, EDP has only 16 per cent of the renewable in Portugal. There are 84 per cent that belong to other operators.* (Sousa, 2012)

However, the EDPR 2012 Annual Report showed that the Portuguese market was by far the most profitable, accounting for 40 per cent of the net profit attributable to equity holders

and had a return on equity of 46 per cent (mainly wind energy). The US and Spanish markets, representing 38 per cent and 34 per cent of EDP's turnover, had a profitability of 0.6 per cent and 2.9 per cent, respectively. In addition, the third review of the EFAP underlined the need for further assessment of the cost-efficiency of the support schemes for renewables (EC, 2012b).

6.3. EDP's profits are due to electricity bills: denial, avoidance, and manipulation

EDP was accused of accumulating exceptional profits at the expense of consumers and the economy. António Mexia denied that EDP's profits were due to electricity prices, rejecting that the consumer was subsidising the EDP Group's activity. Avoidance and manipulation strategies were used as a response to institutional pressures. The denial relied on technical-accounting language and a symbolic strategy of concealment of financial information, which might undermine organisational legitimacy. António Mexia claimed that EDP's profits were a consequence of its internationalisation and improved operational efficiency and seemed to believe that these technical arguments made its accounts more believable. The concealment tactic was seen through the repeated presentation of the company's results in terms of EBITDA, in which the CEO emphasised that the increase of EBITDA was mainly due to the strong growth in international markets:

When EDP was privatised, it depended 100% on Portugal market. Today, less than 50% of the gross operating profits come from Portugal. Regulated revenues from our activities fell from EUR 700 to about EUR 500 million, which shows the improvement of the efficiency. It is not the regulated activities [one should read, the consumer] that sustain EDP's profits. (Figueiredo & Suspiro, 2010, p.25)

The group is often criticised for having a monopolist rent which enables the leverage of the company to the expansion abroad. How do you comment on that? That is, to say the least, an out of dated truth. As far as the monopoly is concerned: 55% of the EDP's operating profit comes from abroad... (Prado, 2010, p.6)

EDP achieved its best ever operating profits in 2011, with EBITDA growing 4 per cent to EUR 3.756 billion and net operating profits also growing by 4 per cent to EUR 1.125 billion (EDP, 2011). The EFAP to Portugal and the rise in the price of electricity put EDP on the media agenda, intensifying and giving visibility to the accusation, as evidenced on the following transcripts:

In a crisis year, EDP had the highest profit ever. Are you not charging too much consumers?

No. This 4% increase, it's important for people to realise this at home, this is very important because there is a lot of misinformation about it. The 4% increase in EDP's profit is mainly due to the international market where we have increased our gross operating results by 11%, with Portugal falling by 5%. It is normal for the results to increase because EDP has invested heavily. (Sousa, 2012)

After all, how much are the regulated activities and the contracts of EDP in Portugal worth? *The operating profits in Portugal already represent, right now, less than 40% of the total. In 2002, EDP registered in Portugal, in nominal terms, exactly the same as it did in 1997, which means that after 14 years, in real terms, the operating profits are 40% below what they were in the end of the last century, and the distributed energy increased by 60%. (Costa & Lira, 2013, p.6)*

But the EDP 2012 Annual Report showed that the lower risk businesses (regulated concessions, long-term contracts and wind farms under a feed-in tariff scheme) were almost exclusively concentrated in Portugal and accounted for about 71 per cent of the EDP Group's net profit, although they represented only 45 per cent of EBITDA and approximately 40 per cent of the turnover. Liberalised activities, with a turnover of EUR 8.3 billion (representing around 50 per cent of the whole Group), had a negative net profit (EDP, 2012a). In particular, the CMEC represented between 14.9 and 34.2 per cent of profit before taxes for the EDP Group from 2007 to 2012 (AdC, 2013; EDP, 2006-2011, 2012a). AdC recommended a review of the CMEC with the aim of ensuring that the compensation paid to EDP was determined by more stringent efficiency criteria for the benefit of consumers (AdC, 2013).

Financial reporting is beyond the comprehension levels of most of the general public (Bartlett & Chandler, 1997). However, the symbolic strategy of concealment of information did not escape criticism from certain constituents who contended that high electricity prices to end-users were at the root of EDP's historical profits. The perception that EDP's top management was selective in its provision of financial information was revealed by Henrique Gomes himself and led him to state publicly that: "EDP lives at the expense of the Portuguese" (Gomes, 2013).

Similar to its use of technical features, António Mexia recurrently mentioned institutional features to support denials, pointing out EDP's fulfilment of socially desirable goals as the main driving force of the Portuguese economy, and it being the largest investor in Portugal and an employment creator. This seemed to be an attempt to make the company less vulnerable to external criticism. The CEO exclusively emphasised EDP's positive achievements, with no mention of any negative impact from its activities. This clearly suggests a window dressing approach. In a national context where recession brought growing social problems, the CEO may have used these positive accounts as proof of EDP's social fitness, as suggested in the following quotations:

You do not compromise on this matter [to lower the price of electricity on the short term]? *It is not a commitment. We are doing, it is, our job: to invest in Portugal, to create employment, to create conditions to make this sector more competitive. (Marcelino, 2011, p.4)*

There is unevenness between the social and the price of electricity. Does that not shock you? *On the social question, I could not agree more. EDP is today the largest investor in Portugal, the largest Portuguese investor abroad. We invested EUR 1.7 billion since 2005 until today. We are going to invest EUR 5 billion more until 2020, improving by 91 per cent the*

quality of service.... That is the main function of EDP. (Sousa, 2013)

The window dressing tactic is also evident in António Mexia's accounts, when he assumed that the reduction of electricity bill costs was part of EDP's business model, through the promotion of energy efficiency, investing in technological innovation and also helping business and household consumers with energy saving measures: "[P]eople adopted different behaviours, which we fostered, such as the energy efficiency with the reduction in energy consumption. EDP usually invests annually between EUR 8 and 10 million to help people save on their electricity bill" (Sousa, 2012). There seems to be evidence that EDP attempted to identify itself with a legitimate social practice of customer support to appear consistent with institutional expectations. In this respect, ERSE provided financial support through a tender mechanism to the measures promoted by EDP aimed at improving efficiency in electricity consumption. EDP saw approved for the period 2009/2010 measures equivalent to EUR 5.9 million, about 30 per cent of the total made available by ERSE (EDP, 2009; ERSE, 2009). These incentives were supported through the System Tariff, paid by all consumers.

EDP responses also involved a co-optation tactic. In order to deal with external criticism, António Mexia's denials repeatedly cited an institutional measure, the Dow Jones Sustainability Index, presumably to support the claims that it was not the Portuguese customers who were bearing EDP's activities and to demonstrate the company's worthiness and acceptability. The company was acknowledged among utilities with the best performance both at European and worldwide levels by the Dow Jones Sustainability Index since 2008, and the CEO made a point of highlighting it in several interviews throughout the period under review: "Being included in the indexes is important because we test ourselves. Everything must be measurable, especially in these areas where there can be other interpretations: it is only for one's conscience to be at peace. We do not agree" (Proença, 2010, p.34); "... it [Dow Jones Sustainability Index] speaks about economy, it speaks about results, it speaks about the social and people inside and outside the company, it speaks about environment. We were considered the best company in the utilities sector worldwide!" (Baldaia & Neutel, 2013, p.9); "...No one can give lessons about 'the social [dimension]' to EDP" (Sousa, 2013).

6.4. EDP enjoys excessive rents from contracts regarded as illegal: denial, defiance, and manipulation

The MoU explicitly stated that measures must be taken in order "to limit the additional cost associated with the production of electricity under the ordinary regime, in particular

through renegotiation or downward revision of the guaranteed compensation mechanism (CMEC) paid to producers under the ordinary regime” (EC, 2011a, p.24). The IMF, the EC and the ECB became a new source of pressures, which included extensive media coverage of the issue. The inconsistency between institutional pressures and organisational internal goals of profitability led to more active strategies. The company objected mainly to any changes in CMEC. EDP did not want to give way on the profitability guaranteed by this mechanism and did not accept the pressure as legitimate, demonstrating publicly its resistance to any contract’ amendments through a defiance strategy. At the press conference for the presentation of the quarterly financial results on May 2011, António Mexia used a dismissal tactic by emphasising that the contracts were not meant to be nullified and EDP would not abandon the value of the contracts freely signed: “EDP does not renounce, it cannot do so, of the value of the contract and the latter was not drawn up yesterday. It is meant to be looked at throughout the whole period of its life” (*Jornal Público*, 2011, “The amendment of contracts”, para.3).

The highlight of the battle fought between EDP and the government took place in 2011 during the last phase of the reprivatisation process of the company (A.M.Gonçalves, 2013). On this occasion, the Ministry of Finance did not want the rent-reducing measures to have an impact on the company value and, in turn, on the success of the last phase of reprivatisation, which was at the EFAP (Garrido & Prado, 2012a). The conflict between selling public assets at a valuable price – positive for the State – and cutting costs that are revenue and earnings of these companies – positive for the economy, led to a dispute between the Ministries of Economy and Finance. Within this political-economic system, EDP’s action was consistent with the privatisation objective: to attract private investors by reducing uncertainty regarding high future profits. Whereas shareholders are interested in maximizing returns, governments “have more complex preferences shaped by multiple interest group pressures” (Henisz & Zelner, 2005, p.361). The reprivatisation process exacerbated the multiple conflicting pressures.

As a consequence of the breach in the negotiation process between EDP and the Ministry of Economy “the confrontation tone between Henrique Gomes and the CEO of EDP, António Mexia, rose” (Ferreira, 2012a, p.7) at the end of September 2011. Henriques Gomes recognized that he was able to reach an agreement in principle with other generation companies, but as far as the CMEC were concerned it was essentially “EDP which opposed and moved its influences” (Prado, 2012c, p.8; see also Ferreira, 2012a). Within the framework of the second update of the MoU, a new measure was introduced to set the national electricity system on a sustainable path, requiring the elimination of the tariff debt by 2020 and its stabilisation by 2013 through the

correction of “excessive rents in the standard (CMECs, PPAs, and power guarantee mechanism)” (EC, 2011b, p.63).

In January 2012, responding to measure 5.15 of the updated MoU, the office of the Secretary of State for Energy produced a report evaluating the effective rates of return for the different generation regimes in order to identify the sources of excessive rents..⁹ The report revealed that the total value of excessive rents associated with the CMEC scheme up to 2020 was EUR 2,133 million.¹⁰ This report set the sector “boiling” and contributed to the radicalisation of positions between the Secretary of State for Energy and EDP (Ferreira, 2012c, p.2). For the company, the issue of excessive rents was a false problem. After the reprivatisation of EDP, at the end of 2011, the attack on excessive rents by the government has become more difficult. Before the incommensurability of the interests of the different actors – shareholders, the government, the regulator, trade and industry associations, DECO and society in general –, EDP chose in the first instance to challenge and reject the demands of both the government and society in order to meet those of shareholders. In fact, in defence of the accusation of benefiting from excessive rents, EDP went beyond mere denial and challenged the legitimacy of the accusation. During the presentation of the EDP’s annual accounts, on March 8th 2012, Antonio Mexia took the opportunity to answer that accusation, repeating that the study elaborated on by the Secretary of State for Energy’s Office, which led the government to this conclusion, had “coarse and basic mistakes” which rendered it “useless and unusable” (Ferreira, 2012a, p.7; Prado & Garrido, 2012, p.4), calling into question the technical legitimacy of the Secretary of State for Energy’s Office. The CEO supported denials with accounting language that in his view rationalised it: “it is a mistake to consider that any investment with an internal rate of return (IRR) higher than the average cost of capital has a rent,” adding that, “the IRR must be higher than the cost of capital. If it is not so, one does not invest!” (Prado & Garrido, 2012, p.4). Defiance indicates a resistance to changing the business model of the company and was a predictable tactic for a company that had the power to influence its environment, in accordance with DiMaggio (1988) and Shapiro and Matson (2008). This strategic response also seemed to correspond with a warning addressed to shareholders that the issue was under control and that it would not transform into a reduction in the future profitability of the company. Theses

⁹The official report was only made public by the media. See Garrido & Prado (2012b) and <http://www.tvi24.iol.pt/aa---videos---sociedade/edp-henrique-gomes-tvi24/1343990-5795.html>, accessed on 18 May 2012.

¹⁰ This value has been determined by evaluating differences between the benchmark on rate of return estimated by Cambridge Economic Policy Associates (7.55 per cent) and the effective rate of return for the generation assets under CMEC regime (14.22 per cent).

tensions were also visible in the EDP Annual Report (2011, p.126), which stated that the business risk might be influenced by measures that may be adopted under the EFAP, “although the Portuguese Government has publicly expressed the purpose of not unilaterally establish [sic] measures that may have negative impact on the national energy sector”. Coercive compliance did not have legal force and EDP faced no real threat of sanction.

The contestation of institutional expectations was reinforced by demonstrations of organisational rationality in order to legitimate non-compliance. For example, the CEO engaged in rationalisations for investment decisions in a market system, claiming that without stability of rules, there would be no new investment in the electricity sector because a potential amendment of the contracts signed with the state compromised the credibility of a country. Similarly, in an attempt to redefine the public opinion in favour of EDP regarding the adequacy of its actions, he invoked the acquired rights to avoid renegotiating any amendment of CMEC, and assured all that EDP was receiving exactly what had been defined in 1996 when the CMEC mechanism was drawn. This was a response to the institutional environment based on the appreciation by its CEO that any alteration of contracts was neither rational nor acceptable, as the following quotations seem to suggest:

But are these contracts not maladjusted to the present? (...) *We are merely respecting that which are the contracts and these contracts are not different from any other contract. Contracts are to be respected. This is a decisive question.* (Costa & Lira, 2013, p.6)

Every day, the Portuguese see contracts being breached, beginning with those of the Social Security. *These are very different themes. In the Social Security department, the important questions have to do with the sustainability of the system. Here, we are talking about something else, one must signal that there are stable rules for investment and that the investment is the decisive question for Portugal. Why? Because without investment there is no growth and with no growth there is no sustainability for our life model.* (Costa, 2014, p.17)

Associated with the denial strategy, António Mexia also adopted a manipulation response. He tried to change the content of institutional expectations on the remuneration of the CMEC scheme and the alleged illegality of this mechanism through an influence tactic. This included mentioning universities' and consultants' studies, which argued there were no excessive rents (Faria, 2012; V.Gonçalves, 2013). This response seemed to be intended to support the arguments of the CEO that the company did not benefit from rents, and to demonstrate its credibility before the external constituents. Another example of an influence tactic involved the opportunistic reference to the EC on the approval of CMEC. According to industry specialists, the CMEC configured “government support, which was illegal under European law” and they had “an economic mismatch in the electricity system which was illegitimate” (Prado, 2012c, p.8). On September 2012, the EC received a complaint filed by

private citizens against alleged illegal State aid granted by Portugal to EDP and it decided to initiate the formal investigation procedure laid down in Article 108(2) of the Treaty on the Functioning of the EU. António Mexia always argued that this guaranteed compensation mechanism was approved by the EC as a replacement for the CAE, a normative procedure that, according to the CEO, demonstrated the legality of the EDP's contracts was as unquestionable as the company's legitimacy. In the CEO's own words:

You get a bonus granted by the State... (...) *The claim against EDP at the European Union is unfounded. This was done with a contract that results from an international tender where the cheapest won. The CMEC were approved by Brussels based on the Decree-Law no. 240/2004, and they were a demand from Brussels.* (Sousa, 2013)

6.5. EDP does not participate in the efforts requested to all Portuguese: denial and compromise

The institutionalised expectations of societal agents rendered EDP more vulnerable to institutional pressure on the issue of excessive rents. Under the Loan Facility Agreement on the European Financial Stability Facility financing quarterly disbursements was subject to the compliance with the conditions of the MoU. However, conformity to institutional expectations was incompatible with the company's profitability goals, which did not allow EDP to unconditionally accept institutional demands. The coercive objectives and pressures from the political field (Troika and Government) maintained a strong need for EDP compliance. There were no legal mechanisms for enforcement, but Troika became the most important source of institutional pressure. These coercive pressures were visible in the press release in February 2012 on the third review mission to Portugal: "a web of excessive rents... put socially unfair burdens on consumers and taxpayers. ... Both the pace and scope of these reform efforts [to reduce rents in energy markets] should be stepped up" (IMF, 2012, p.3) and were salient in the media (Bastos & Saraiva, 2012; Ferreira, 2012a, 2012c; Prado, 2012a, 2012b; Sequeira, 2012).

Evidence suggests that in order to meet the government's and society's expectations, the intransigence of EDP to accept any revision of remuneration schemes gave way to a less aggressive strategy. As previously noted, government did not have the legal force to impose contract amendments, but the highly regulated institutional environment, even with a regulator with no real power, made the company dependent on government. As outlined by Oliver (1991, p.164), "organizations typically have interests they wish to protect or promote and dependence is rarely unidirectional". The government acknowledged the limitation and adopted a negotiation approach on a voluntary basis. The CMEC could only be reduced with the EDP agreement. The renegotiation process restarted by the end of March 2012. EDP got involved in efforts to obtain some concessions from the government to safeguard the value of its long-term contracts for

energy generation. The compromise strategy reflected a partial compliance with institutional expectations on the EDP contribution to set the national electricity system on a sustainable path and to seem more socially accountable. For that purpose, EDP adopted a bargaining tactic. The company was open to negotiations with the government, but under certain conditions. One of them was the assurance that the value of CMEC would not be changed and there would instead be an extension of contracts.

In May 2012, the Portuguese government announced a set of measures to reduce excessive rents and to address the sustainability of the national electricity system with the aim of saving EUR 1,800 million by 2020. EDP estimated that in global terms the economic and financial impact for EDP Group, once all the measures were in effect, corresponded to 1 per cent of EBITDA or 2.5 per cent of Earnings per Share per year (EDP, 2012b). It set an adjustment to the interest rate applicable to the tariff repercussion of the yearly fixed amount of the CMEC, without changing the value of contracts, which on average, for the period 2013 to 2027, was EUR 13 million per year, corresponding to a present value of EUR 120 million (Decree-Law no. 32/2013 on February 26).¹¹

After the announcement of cost-reducing measures to ensure the sustainability of the electricity system, the issue of excessive rents was considered by EDP as to be closed. In a communication to the market on May 17th 2012, EDP announced that the new framework allowed “regulatory previsibility and stability in the Portuguese power sector, in the medium and long term”, which had “a significant importance for all the stakeholders of EDP” (EDP, 2012b). The same message was reinforced by the CEO in several interviews, enhancing the positive effect of the forecasted increase in electricity tariffs on the sustainability of the Portuguese economy (e.g. Marcelino & Baldaia, 2012). In an exceptional period when all Portuguese were called to contribute with sacrifices, António Mexia replied that EDP had already done its share and the problem was solved, as follows:

When the new shareholder, China Three Gorges, acquired a stake of the share capital of the company the reality regarding these rents was different. The Prime-Minister even said that the rules would not change after the sale. The fact is, they did change. Did the new shareholder feel defrauded with this change? *The balance was achieved. That solution, in the case of EDP, translated into an effort that had not been forecasted. But everyone appreciates the fact that a question that had been open for a long time was resolved.* (Marcelino & Baldaia, 2012, p.9)

EC pointed out that the important issue of containing the tariff debt through a reduction of excessive rents was not been adequately addressed, as the proposed elements for a solution

¹¹ Regarding the policy costs embedded in CMEC, the government reduced the CMEC annuity discount rate from 7.55 per cent to 4.72 per cent.

(mainly voluntary renegotiations and reduction in support schemes) appeared insufficient (EC, 2012a). On the fourth review mission to Portugal the EC and the IMF asked for more determination “to push through reforms in areas that touched sensitive political and vested interests” (EC, 2012a, p.5). The announcements were not new, but they were significant due to the insistence with which they were repeated. But for the CEO the solution to the existing imbalances was “to reduce the weight of the state in the economy” and to channel resources “to the private sector, to the productive sector and to a more efficient and fair economy” (Macedo, 2012, p.30).

Criticism of the multiple constituents did not take long to appear as far as the limited impact on the sustainability of the national electricity system. ERSE emphasised the “insignificant expression of the renegotiation of the CMEC over-compensation” (ERSE, 2012, p.5). DECO alerted that the measures announced fell short of what was expected, “much due to the unavailability of electricity generating companies to waive a part of their revenues from indecorous contracts” (DECO, 2012, “Cutting the producers rents”, para.4). The media claimed that the reduction on the CMEC represented savings with a “less significant impact on household energy bills” (Prado, 2013a, p.11). The representatives of the Portuguese industry appealed for stronger action against the excessive rents in order to reduce the weight of CIEG in electricity tariffs (Teixeira, 2013). However, EDP remained resistant to any additional revision on the rate of return of its long-term production contracts.

A company with a dimension such as that of EDP, with high profits achieved every year, should not or could not, contribute more to the effort that has been asked to all Portuguese? (...) EDP contributed with everything that was necessary for the sustainability of the electricity system ... (Sousa, 2013)

(..). The negotiation was, moreover, an agreement with the government and it deserved international recognition from the point of view of the effort we would make, but this effort was also very voluntary... although EDP's essential contribution is to invest... (V.Gonçalves, 2013)

Annual reports reinforced that the management of the legal/regulatory agenda had been “**a top priority for EDP**” (EDP, 2014, p.46, emphasis in the original) and also considered the whole issue closed, drawing attention to the “proactive position” of the company by “contributing to solutions that aim the system’s sustainability”. After ten reviews of the EFAP, the rent-reducing measures implemented to eliminate the tariff debt by 2020 and to ensure the sustainability of the electricity system still appeared to be insufficient (EC, 2014). EDP continued to be blamed for benefiting from “rents created at the expense of end-users and the Portuguese economy” and remained heavily criticised (Campos & Gozblau, 2014, p.14).

7. Discussion and conclusion

Institutional complexity takes place against a background where competing demands arise in response to societal challenges (Raaijmakers et al., 2015). By acting mainly on market logic, EDP legitimacy was seriously questioned as a result of the public criticism that it made enormous profits at the expense of the Portuguese society and its dismissal in renegotiating contracts. The three packages created by the government to reduce costs associated with energy production, in accordance with the financial adjustment to which Portugal has been subject, accentuated the newsworthiness of the issue and influenced stakeholders' perceptions about the power and influence of EDP in the defence of its contracts and support. Institutional pressures exerted on EDP with respect to the excessive rents issue to comply with cost-cutting measures in the electricity sector were highly salient, very broad-based, coercive, and intense. EDP was caught between the market logic demand to maximise profits to shareholders and returns to investors and the social obligation to reduce the electricity bill of consumers and to put the electricity system on a sustainable path. The evidence provided attests that the strategic responses chosen by EDP reflect institutional and technical pressures, as proposed by Greenwood et al. (2017).

The media can be a suitable channel to disclose organisational messages to external stakeholders (Zavyalova et al., 2012). This study examined EDP's strategic responses through the communications of its CEO in the media from 2010 to 2014. As a response to institutional pressures and expectations, EDP provided a public response through the media, as reported by prior studies (e.g., Beelitz & Merkl-Davies, 2012; Deephouse, 1996; Rindova et al., 2006), in what seemed to be an attempt to influence constituents concerning the greater legitimacy of its own claims. Considerations of power and interests in the relationship between EDP and its institutional environment are fundamental to understanding institutional pressures exerted on the company and the way the company responded to such conflict in institutional prescriptions. The organised interest groups, such as DECO and trade and industry associations, moved the issue onto the policy-making agenda to constrained political actors for legislative action. But evidence suggest that within this political-economic scenario, organisational action is directed toward maximising return on investment and shareholder primacy (Dillard et al., 2004). EDP adopted responses that were consistent with its internal goals of profitability, requested by important stakeholders – shareholders. The pressure brought to bear by the regulator and the organised interest groups to deliver cost reductions to be reflected in electricity prices put EDP at the heart of this issue, but gained strength with Troika intervention in terms of applying pressure. The EFAP precipitated new competing demands and intensified the existing ones. Despite its technical legitimacy, ERSE was not a powerful constituent. This regulator and the

organised interest groups did not possess the coercive power to force changes to limit the policy costs embedded in the electricity tariff. So only the combination of a particular group of stakeholders (Government, IFM and EC), in a given moment of time, had coercive influence over EDP regarding the issue of excessive rents.

Consistent with Elsbach (1994), the denial strategy was adopted in regard to the main charges levelled against EDP. The company denial in response to those accusations was a rejection of the claims of most social constituents regarding the reduction of electricity bill costs and, therefore, it aroused widespread disapproval amongst Portuguese society, as noted in previous research findings (e.g., Lamin & Zaheer, 2012). With the exception of the acquiescence strategy, the remaining strategies of Oliver's (1991) framework were observed, thus reinforcing Oliver's argument that organisations may consider unconditional compliance unacceptable when competing demands are imposed on organisations. This study presents evidence that organisations are not passive agents when facing external constraints, and actively and consciously try to promote self-interest, thereby reinforcing the arguments of institutional theorists (e.g., DiMaggio, 1988; Goodstein, 1994; Oliver 1991).

EDP did not want to give way on the profitability assured by its contracts, refusing to negotiate them and defying the legitimacy of the accusation that it benefited from excessive rents. Evidence suggests that this issue was exacerbated by very high pressures for profits due to reprivatisation. By proclaiming commitment to the profit logic, the company expected to gain credibility with its shareholders and investors, as suggested by the evidence presented in this study. These findings support the theoretical argument of Pache and Santos (2010) that organisational goals, as expressions of the system of values and references of organisational constituencies, are not easily negotiable.

Our findings are consistent with prior studies that have shown that top management tends to symbolically demonstrate compliance with institutional norms and expectations and to engage in some form of window dressing or ritualism (e.g., Criado-Jiménez et al., 2008). In accordance with Criado-Jiménez et al.'s (2008) findings, the ritualism tactic was observed through arguments repeatedly used by the EDP CEO through several discourses, pointing out that the company had no negative impact on electricity bills, and deflecting constituents' attention to most visible practices with the purpose of projecting social fitness.

It seems that the high level of institutional complexity lead to a large variety of responses and to delayed partial compliance to coercive pressures (Raaijmakers et al., 2015). The long delay in adopting the compromise strategy might signal that EDP wanted to maintain legitimacy with shareholders by showing them that it tried to fight the coercive force for as long as possible.

The EFAP became a source of institutional uncertainty and EDP has attempted to shape an organisational discourse, by adopting the compromise strategy, in order to reduce this uncertainty for shareholders and investors. It can be argued, as in Raaijmakers et al. (2015), that delaying partial compliance may be a strategic response in which the time is used as a resource for organisation actions, such as influencing the government or other constituents. It seems that EDP strategically resisted as it negotiated among competing forces of institutional control. As outlined by Oliver (1991), when facing conflicting demands, organisations' interests may be served most effectively by obtaining an acceptable compromise between competing expectations.

The emphasis placed upon institutional features suggests that António Mexia intended to prove that EDP's actions corresponded to normative and widely endorsed practices, as proposed by institutional theorists (e.g., Elsbach, 2004; Meyer & Rowan, 1977; Oliver, 1991), in an attempt to maintain EDP's legitimacy. We provide evidence that the CEO used subtle ways to introduce a positive bias, by selecting specific information items to externally legitimise corporate decisions and to protect vested interests, supporting Elsbach's (1994) and Oliver's (1991) theoretical arguments. Yet, accounting language is used to promote EDP's interests and to influence stakeholders' perceptions about corporate legitimacy, wherein elements of the institutional logic of "profitable business concern" (i.e., profits, efficiency, IRR, EBITDA) became part of the narrative. The CEO discourse articulated competing demands: efficiency and profitability associated with market pressures and shareholder demands along with broader stakeholder interests. In this vein, the words of the CEO were embedded within the broader neoliberal discourse. Such a view also finds support in theoretical arguments that accounting is a rhetorical device, the "language of capitalism", that may serve to legitimise organisations and to perpetuate their status quo (Hopper & Powell, 1985, p.453; see also Morales et al., 2014).

In sum, media exposure affects companies who can use media to promote their own agendas. EDP dealt with conflicting prescriptions, facing uncertainty on how to maintain legitimacy. This may explain the change of strategic responses employed over time to cope with institutional demands in response to the strategic behaviour of the other actors. The evidence supports Goodstein's (1994) argument that the content of institutional demands is a critical cause of organisations' strategic responses. We also point to the country-level institutional structures, the organisations' own characteristics and the power of the constituents involved in the issue as important predictors of responses in a complex environment. As observed by Zavyalova et al. (2012, p.1096), "managing the message" in the media of organisational behaviour and the subsequent stakeholders' perceptions about the legitimacy of

its actions is an important part of an organisation's strategy. However, the level of compliance with social expectations was not enough to please most societal stakeholders. The perception that EDP did not contribute enough to ensure the sustainability of the national electricity system, nor sufficiently to the reductions in electricity bill prices continued to dominate the media agenda.

This paper contributes to the literature by examining the way organisations respond to multiple constituents under institutional complexity through discourses (Bertels & Lawrence, 2016; Raaijmakers et al., 2015; Vermeulen et al., 2016). The analysis of CEO's verbal communications answers to calls by Merkl-Davis and Brennan (2017) and Nègre et al. (2017) in extending the authorship and forms of accounts beyond annual reports, hence adding more analytic richness to the accounting literature. While the content of formal reports has been extensively studied, there has been less research on ad hoc communications, such as CEO speeches (Tregidga et al., 2012).

Additionally, this study proposes a methodological alternative to the positivist approach to study corporate communication through the messages of the CEO in the media. Responding to calls of several authors (Beattie & Davison, 2015; Tregidga et al., 2012), the research is a qualitative case study with an interpretive methodological perspective in order to expand the body of research seeking to understand the form and content of organisational responses to institutional pressures. It contributes also to diminishing the dearth of research on the "middle ground" strategies of compromise, avoidance and defiance (Lawrence & Buchanan, 2017, p. 482). Furthermore, the paper provides a new conceptual framework to help understanding organisational strategic responses to institutional pressures, and which can be tested and employed in future studies. By developing this framework, we have contributed to institutional theory by complementing Oliver's (1991) strategic responses to institutional pressures with the use of verbal accounts as defined by Elsbach (1994).

Finally, our findings contribute to critical accounting research on corporate communication by highlighting how corporate distinctive institutional traits enable organisations to engage in "interest-seeking, active organizational behavior" (Oliver, 1991, p.146) aimed at protecting vested interests and creating particular understandings which reinforce the dominance of capitalist/neoliberal logic. Furthermore, to date we have had limited insight concerning how companies in oligopolistic markets, taking into account their considerable economic power, respond to institutional constituents (Dhalla & Oliver, 2013). In particular, accountability to stakeholders is more important if the product is an essential commodity such as electricity (Hooks et al., 2002). The dependence we all have on access to

energy makes consumers vulnerable to the power of oligopoly and contributed to the transfer of wealth through the electricity sector. This strategy helped strengthen the neo-liberal regime of concentration of wealth. In this way, the electricity sector has become a device for transferring social wealth in which workers are plundered in favor of capital as taxpayers or consumers and see an increasing share of their income captured by privatised energy groups. Concluding, we bring supplementary evidence to the importance of questioning the public policy of privatisation of old state-owned monopolies. In this way, we have rendered visible the consequences of the project of neoliberalisation and the agenda of state privatisation of the European Union, the political ties of the new privatised companies and the lack of power of regulators, resulting in a simple redistribution of resources towards shareholders and investors, to the disadvantage of other groups in society.

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