

“The “5th p” in marketing: corporate political activity and firm performance (an exploratory study of U.S. firms in the global marketplace)”

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The “5th p” in marketing: corporate political activity and firm performance (an exploratory study of U.S. firms in the global marketplace)

Abstract

In 1986, Kotler proposed that “politics” be added to the traditional “4P’s” of marketing creating the concept of “megamarketing” (Kotler, 1986). During the intervening two decades a number of papers have addressed corporate political activity (CPA) as an operational option which could be incorporated into the context of the firm’s overall business strategy (cf. Hillman, Keim, and Schuler, 2004). However, to date no study has considered the impact corporate political activities might have on firm performance in the global marketplace. Using data gathered from a sample of U.S. businesses operating in the international arena, this study explores the relationship between firms who engage in corporate political activities and the firm’s performance in the international markets in which the firms operate. Seven types of corporate political activities, used by the sampled firms and reported to be key components of their international business strategy, were compared with performance in international markets over a 5-year period of time. The results show some CPAs are significantly related with performance over the specified time period while others appear to be less effective. The paper concludes with a discussion of the managerial implications of the findings and suggestions for future research.

Keywords: international marketing, politics, firm performance, megamarketing.

Introduction

The notion that political activities, initiated at the firm level, is a potentially important component of business strategy both related to domestic and non-domestic operations is not new (cf. Kotler, 1986; Boddewyn, 1988; Coronna, 1993). The existing literature reveals a myriad of studies which investigate numerous facets of these relationships (cf. Hillman, Keim, and Schuler, 2004). However, the majority of these are centered within the U.S. domestic operational environment and few directly address the relationship between corporate political activities (CPA) and their results (e.g., firm performance). Given the nature of the existing global marketplace it seems clear that the present research could be substantially advanced by exploring CPAs in non-domestic markets and their potential as a means for positively affecting firm performance in those markets (Fuerbringer, 2004). This study proposes to take the first step in that direction by exploring the relationship between the CPA U.S. firms employ in their international operations and the associated performance of those firms in the international marketplace.

A review by Hillman, Keim, and Schuler (2004) reveals the depth to which this stream of CPA research has extended. Their discussion highlights the importance to individual firms of corporate political activity as indicated in CPA’s incorporation into firms’ organizational structure, the firm’s strategies, and its impact on firm performance. However, this review (Hillman, Keim, and Schuler, 2004) reveals a marked gap in the existing literature.

There is no established literature base related to *specific* firm-level political activities and their impact on performance – particularly as this relates to firms involved in international operations. The knowledge of, and potential ability to manage, the political environment with its associated laws and regulations which create and enforce the rules by which business is conducted, is perhaps even more important at the firm-level in the international realm than it is in domestic operations. The various other components of the global business environment (e.g., cultural, competitive, economic, etc.) all represent potential threats to success in international operations. However, if a firm can proactively manage, or influence, the political environment the threat from other areas on the global business environment (GBE) may be defused or eliminated.

1. Corporate political activity and the firm

Although an extensive body of literature (cf. Hillman, Keim, and Schuler, 2004; Getz, 1997; Shaffer, 1995) exists which focuses on firm interactions with the political environment and the impact the political environment has on firm operations in the domestic U.S. environment, there is much less which addresses the relationship between corporate political activities (CPA) and firm performance within the context of international operations. In their comprehensive review of the CPA literature, Hillman, Keim, and Schuler (2004) develop a model to describe the existing literature and to suggest areas for future research. This model is comprised of CPA literature divided into four categories. These are: 1) Antecedents (e.g., firm characteristics, industry type, etc.), 2) Types of CPA (e.g., proactive vs. reactive, tactic(s) employed,

participation level, role of CPA in overall strategy), 3) Outcomes (e.g., change in public policy, removal of trade barrier(s), firm performance), and 4) Organizing to Implement (e.g., integration with market strategies, integration with multiple components of the political environment, etc.).

Adopting a view from inside the firm, Shaffer and Hillman (2000) explore the internal conflicts in the formulation of business-government strategies by corporations with diversified business units. In a similar vein, Rehbein and Schuler (1999) conclude the most significant contributions to understanding the means by which companies decide to engage in political activities are more likely to be achieved by examining micro-level firm factors. These firm-level approaches to CPA may shed light on the relationship between a firm's market and non-market strategies (Baron, 1995); strategies which, when effectively employed, should enable firms to leverage their competitive advantages and, by extension, improve overall firm performance (Baron, 1997; Shaffer, Quasney and Grimm, 2000).

When any given firm has committed to devote resources to CPA it has a choice of firm-level activities through which the firm and various players (e.g., politicians, civil servants, special interest groups, opinion leaders, etc.) interact in the political, or non-market, environment (Boddewyn and Brewer, 1994; Keim, 1981). Firms have a wide-range of political tactics available to them including financial contributions, the supplying of information, and constituency campaigns (Rehbein and Lenway, 1994). In classifying the political behavior of business organizations (Keillor, Wilkinson, and Owens, 2005), four broad categories emerge: 1) lobbying, 2) public/government alliances (e.g., public relations and/or interaction with government agencies or specific individuals), 3) industry alliances and associations, and 4) political inducements and contributions (e.g., "bribes", PAC's, etc.).

Lobbying involves contact between the firm and decision makers in the political environment which is initiated through an independent intermediary (Clawson, Neustadl and Scott, 1992). Lobbying can also take the form of constituency programs where various groups, such as shareholders, are organized in order to influence policy makers (Baysinger, Keim and Zeithaml, 1985). This particular type of political activity on the part of the firm is unique in that it involves the use of a third-party to represent the firm in the political environment. Public and government alliances differ from lobbying in that they are long-term and tend to be directed at more strategic goals. While lobbying tends to focus on a single target, such as a particular piece of

legislation, public and government relations frequently focus on creating and/or managing the overall environment to the benefit of the firm (Baysinger and Woodman, 1982). Cultivating close relationships with elements in the political environment through a co-alignment of interests, or absorption (Ring, Lenway, and Govekar, 1990), can positively affect a firm's ability to proactively control the political environment thereby reducing political risk and, by extension, improve firm performance (Hillman, Zardkoohi and Bierman, 1999).

Politically-based industry alliances or associations are unique in that they involve the banding together of at least two firms, which might otherwise be considered to be competitors, in an effort to manage current or potential political risks (Astley, 1984). In some circumstances, firms conclude that their individual ability to influence the political environment is not substantial enough to achieve the desired result. The effectiveness of industry alliances is partially dependent on structural attributes, market concentration, size, and profitability (Rehbein and Lenway, 1994). Forming an alliance with other organizations in the same industry, or having similar objectives, significantly increases the resources which can be brought to bear against threats in the political environment. However, while such combinations provide individual firms with a wider range of resources on which to draw, they may reduce firm-specific advantages as successful programs tend to produce "level playing fields" from which all firms, even those outside the alliance, may benefit.

Masters and Baysinger (1985) consider the determinants of this political activity, contributions to Political Action Committees, or PACs, within the U.S. domestic setting at the firm, rather than the industry, level and they develop a framework for determining firm-level PAC contributions. Masters and Baysinger (1985) suggest PAC contributions by an individual firm are a function of organizational personnel, organizational size, corporate PAC experience, government dependence and regulation, and the economic environment in which the firm operates. In their study, Masters and Baysinger (1985) found a significant relationship between PAC contributions and firm dependence on the government, as measured by percentage of sales accounted for by government contracts. Similarly they found, using a five-step classification scheme that firms operating in industries associated with higher levels of political risk were more likely to contribute to PACs. These findings may be potentially significant for international operations given that one of the immediate concerns in a non-

domestic market is often the threat posed by political risk. The direct nature of PAC contributions, these authors (Masters and Baysinger, 1985) argue, distinguishes them from third-party or representative type activities such as lobbying and constituency building, and other public affairs activities such as advocacy advertising.

The last basic category of political activities available to individual firms is inducements and contributions. At the basest level, these may be offered to individuals in the form of bribes or other gifts. Alternatively, they may be an attempt on the part of the firm to actively promote advantages, such as political contributions which may be gained by dealing with the firm. It is also possible that an incentive may benefit a group within a given society rather than an individual(s) (Boddewyn, 1988). For example, one of the primary drawing cards of direct investment on the part of an individual firm is job creation which aids local economic growth and development. Individual facilitating agents and government policy makers can be targeted through this type of societal-oriented incentive approach if the firm can successfully convince these decision makers that their personal agenda will be furthered when they are identified with obtaining benefits for society at large. Empirical evidence also supports the suggestion that firms can effectively use contributions to influence political outcomes (Hall and Wayman, 1990; Quinn and Shapiro, 1991). Rehbein and Lenway (1994) have directly tied campaign contributions made to individual members of the International Trade Commission (ITC) with actions on the part of this commission directed at investigating escape clause behavior by foreign competitors.

Thus, the present state of literature related to political activities on the part of an individual firm, or group of firms in an industry, shows that politics are an important piece of the strategic mix. A variety of potential political tools are available at the firm level and these activities can be applied both reactively and proactively. Where there is a gap in current published research is in the relationship between these activities

and overall firm performance especially in the area of international operations. This gap has been identified by a number of articles (Belanger and Edwards, 2006; Geppert and Williams, 2006; Hillman, Keim, and Schuler, 2004; Ferner, 2000). In particular, each notes the lack of research directed toward international CPA and firm performance (Dorrenbacher and Geppert, 2006). The purpose of this study is to take the initial steps in filling this identified gap by empirically exploring the connection between individual firm performance and the emphasis placed by these firms on the accepted firm-level corporate political activities.

2. Research methodology

The sample employed was U.S. firms identified through the Standard & Poor's Corporate Directory, and contacted using an electronic survey instrument. Although designed to be an exploratory international study, the initial sample was comprised of U.S. firms with substantial international operations for three reasons. First, using a U.S.-based sample allowed for a higher level of control relative to domestic vs. non-domestic political risk. The other two reasons for using a U.S.-based sample were related more to the mechanics of conducting the study. The use of a U.S. sample removed the complicated issue of translation. It was also easier to verify accurate, "deliverable", e-mail addresses with a U.S. sample. A total of 800 questionnaires were e-mailed to potential respondents who indicated substantial international operations and who had "deliverable" e-mail addresses as indicated by their positive "return receipt" acknowledged in the initial message describing the study and requesting participation. Only firms with at least five years of experience in international operations were included in the sample. 248 usable instruments were completed and returned. A review of the responding firms showed the data to be reasonably well distributed in terms of number of employees, product type, and years in current industry (see Table 1).

Table 1. Characteristics of responding firms

# of employees	(N)	(%)
< 100	42	17%
100 – 500	44	18%
500 – 1000	86	35%
1000 – 5000	37	15%
5000 – 25,000	22	9%
> 25,000	17	7%
Primary product type	(N)	(%)
Consumer Good	82	33%
Consumer Service	42	17%
Industrial Good	87	35%
Industrial Service	37	15%

Table 1. (cont.). Characteristics of responding firms

Years in industry	(N)	(%)
< 5 yrs.	37	15%
5 – 10 yrs.	52	21%
11 – 25 yrs.	72	29%
> 25 yrs.	87	35%

The survey instruments were directed at executive-level decision makers capable of accurately reporting their firms' use of political activities and only instruments in which the respondent specifically identified themselves as an executive decision maker, as reflected in their title, were used in the data analysis. Prior to conducting the data analysis, a test for non-response bias was conducted. In order to identify the possible existence of such a bias a time-trend extrapolation test was performed (Armstrong and Overton, 1977). This test operates under the assumption that "early" and "late" responders during a finite survey period should not be significantly different. The non-response test was conducted by combining the first and last quartile of respondents into "early" and "late" categories. Pairwise comparisons were then conducted across a variety of firm characteristics to determine if any significant differences existed. None were detected based on the firms' annual sales, company age, or market share suggesting that a non-response bias did not exist.

There is widespread agreement in the literature that the outcomes of corporate political activities are typically measured one of two ways. First, through changes in the political environment (e.g., public policy changes) that can be tied to CPA, and second, through firm performance outcomes (Hillman, Keim, and Schuler, 2004). A review of the literature shows that the former dominated much of the outcome-based research related to CPA. Clearly it is important to establish a link between activities designed to change the political environment and their results. However, this perspective relies on the implicit conclusion that any alteration in the political environment affected by a firm will enable the firm to achieve higher levels of efficiency and effectiveness (i.e. performance). Taking into account the much wider time gap between initiating operations and achieving results in non-domestic markets compared to the domestic market it may be more instructive, when exploring international CPA issues, to focus on the latter; that is some connection between CPA and performance in the international realm.

The method of analysis employed is a standard OLS regression model (Pedhazur, 1982) using average annual growth rate of international sales as the dependent, firm-performance variable. Average annual growth rate of international sales was measured as an actual annual dollar amount average over the previous five years. In terms of dependent variables for

measuring firm performance, a variety of measures have been used (cf. Dutta, Narasimhan, and Rajiv, 2005; Peteraf, 1993). For the purposes of this study the dependent variable (firm performance) will be average annual growth rate of sales (Bloom and Reenen, 2007) in international sales.

Seven generally accepted firm-level political activities were employed as independent variables. These were included in this study as independent variables in the regression model with the dependent variable (i.e., firm performance) being measured as average annual sales growth in international operations. The seven independent variables, which comprised the potential firm-level activities were: 1) lobbying, 2) public relations, 3) relationships with government agencies, 4) inducements and/or bribes, 5) political industry alliances, 6) political contributions, and 7) relationships with individual government officials and/or politicians.

The final regression model used was:

$$\text{PERF} = B_0 + B_1(\text{LOB}) + B_2(\text{PR}) + B_3(\text{AGENT}) + B_4(\text{INDALL}) + B_5(\text{POLIND}) + B_6(\text{PAC}) + B_7(\text{FRIEND}) + E$$

PERF refers to average annual growth rate of firm international sales, LOB – to the firm's use of lobbying, PR – the firm's use of public relations, AGENT – the firm's use of relationships with government agencies, INDALL – the firms use of industry alliances, POLIND – the firm's use of political inducements (e.g., bribes, etc.), PAC – the firm's use of political contributions, and FRIEND – the firm's use of personal relationships with politicians, etc. These seven independent variables were measured using a six-point Likert scale designed to measure the extent to which each individual political activity was considered to be important to the firm's overall annual sales (1 = not important to 6 = very important).

3. Analysis

The results show that of the seven firm-level political activities included in this study, three were found to be associated with higher levels of firm performance as measured by average international annual sales growth. Interestingly, each of the three significant variables could be considered to be direct "individually firm-based" political interactions as opposed to "organizational-level" strategies.

Table 2. Regression results

Independent variable	Beta	Significance level
Organizational level strategies		
Inducements/Bribes	.631	p< .558
Relationships w/ Govt.		
Officials/Politicians	.442	p< .836
Political industry alliances	.521	p< .776
Political industry alliances	.521	p< .776
Individually-based strategies		
Lobbying	3.265	p< .01*
Relationship w/ Govt. Agencies	3.088	p< .01*
Political contributions	2.939	p< .01*

Note: * Sig. p< .01.

3.1. Organizational level strategies. In terms of direct, individually-based, political interactions, neither the use of inducements (Beta = .631; $p < .558$), nor the fostering of relationships with government officials and/or politicians (Beta = .442; $p < .836$) were found to be significantly related to firm performance. These results are supported by one of the more recent studies conducted by the Massachusetts Institute of Technology (MIT) which showed no significant positive performance results from individual firm inducements (Mehring 2004). This may be particularly noteworthy, given the amount of attention frequently focused on inducements and the closeness of individual firms and individual politicians, with the implication being that special favors and/or market access is gained by the firm through these individuals. The data in this study does not appear to bear out the notion that firms engaged in these activities experience greater levels of performance. Quite the contrary, the analysis here shows the relationship between the two variables and firm performance, as measured by average annual international sales growth, to be statistically insignificant.

Similarly, the use of industry alliances was shown not to be significantly associated (Beta = .521; $p < .776$) with firm performance. Although previous studies (e.g., Hillman and Hitt, 1999) have suggested that political threats can be quickly, and effectively, managed when the substantial amount of resources associated with industry alliances are employed, their benefit may be offset, in terms of performance, by the resulting “level playing field”. Such a situation produces no unique firm competitive advantage but rather simply removes the identified political threats for all firms in the industry, thus reducing the ability to gain competitive advantage to those associated with traditional domestic operations.

Finally, the use of organizational level strategies, most notably public relations, was also found not to be significantly related to international firm performance (Beta= .876; $p < .501$). Often firms will engage in reasonably large-scale public relations campaigns in an effort to raise public awareness of the voting public, or other large groups/organizations capable of influencing the political environment, to circumstances affecting the firm. The supposition being they will, in turn, raise the awareness of the relevant government official(s) and/or agencies resulting in the reduction or removal of the identified political threat. This has, in the past, been a common tactic used by U.S. manufacturing firms in their attempts to block, or otherwise impede, foreign competition (e.g., the U.S. steel industry). Unfortunately, the data in this study does not support the relationship between these activities and the means of measuring international firm performance employed in this study.

3.2. Individually-based strategies. The analysis now turns to individually oriented firm-level political activities, all of which were found to be significantly associated with firm performance as measured by average annual international sales. This research identified three such activities: lobbying, relationships with government agencies, and political contributions. As discussed earlier, lobbying generally involves employing a third-party to represent the firm’s specific issue to the relevant target in the political environment. Relationships with government agencies are recognition on the part of the firm that laws and regulations, particularly as they relate to specific business activities, require ongoing interpretation and implementation. Close relationships with key agencies within a specific industry (e.g., an aircraft

manufacturer with the National Transportation and Safety Board and/or the Department of Transportation) can help facilitate interpretations which favor the firm. Such relationships can afford outside firms substantial advantages in a host market in terms of dealing with actual, or potential, political threats. Campaign contributions, on the other hand, recognize that the driving force behind many in the political environment involve the outcome of elections which, in turn, can require substantial financial resources. Although substantial political contribution reforms have been instituted in the U.S. in an effort to curtail the ability of firms to gain access to or otherwise influence elected officials, such restrictions do not exist in a large proportion of markets world-wide.

The first of the activities significantly (Beta = 3.265; $p < .01$) related to average annual international sales was lobbying. Frequently lobbying is associated with quasi-unethical behavior as its fundamental nature is that of employing a third-party to serve as a go-between in interactions between the firm and elements in the political environment. The reality is that lobbying is little different from firm-government interactions in the legal environment. Just as attorneys tend to specialize in particular areas of law, lobbyists focus on relatively narrow areas within the political environment. This makes them especially well suited to represent a firm in a host market given that they possess both the necessary relationships and knowledge of important issues related to the political threat, whether real or perceived, to reduce and/or remove the threat.

The second of the firm-level political activities significantly related to average annual international sales was relationships with government agencies (Beta = 3.088; $p < .01$). Although government agencies generally are not charged with creating legislation and regulations related to business, they are heavily involved in the interpretation and implementation of these potential barriers. For firms operating in a host country, political threats in this area can manifest themselves through the inconsistent application of customs regulations, the arbitrary interpretation of product-related regulations (e.g., local product content laws), and the classification of products into categories which make operations in that market problematic. By developing and cultivating relationships with government agencies, firms can both better anticipate regulatory-related political problems and manage these threats to the benefit of the firm.

The third, and last, firm-level political activity significantly associated with average international sales was political contributions (Beta = 2.939; $p < .01$). Considering the increasing costs associated

with election to public office in most countries due to the increased need to access and manage information flow, providing needed financial resources should enable firms to access political decision makers with an eye toward dealing with current, or potential, political threats. As discussed above, this approach has been used effectively by American firms in their home market over a number of years. For example, U.S. manufacturing firms in the steel industry have attempted to avoid investment in needed capital upgrades through the application of trade barriers, introduced into law by specific legislators associated with the industry, on imported steel in order to maintain levels of market share higher than what might have been otherwise achieved in a truly free-market competitive environment.

4. Discussion

The 21st century global business environment mandates a working relationship between businesses, policy makers, and policy implementers. In an era of world-wide public skepticism directed at corporations and governments it is important for firms to understand how to best leverage their political assets. The findings in this study demonstrated that not all of the traditionally identified firm-level political activities are directly related to a firm's overall international performance as measured by average international sales. For example, traditional organizational level activities, such as fostering relationships with government officials/politicians, participating in industry alliances, and generating policy oriented public relations, were not found to be significantly related to increases in average annual international sales. Relationships with specific government officials or policy makers can be viewed in a number of ways. From an efficiency perspective, it may not be cost effective to create singular relationships that may have limited utility no matter how powerful the politician or official might be given that their power is often focused in very specific areas of specialization. In addition, there is always a temptation with one-on-one relationships built around individuals, both in the firm and in the political environment, for the focus to shift to benefits directed toward the given individuals involved rather than benefits for the firm.

Similarly, alliances, while potentially valuable for a given industry in helping to create a "level playing field" for non-domestic firms, may provide little or no advantage at the firm level. Alliances and industry associations tend to serve in an advocate role by providing both a common playing field and voice, but also tend to do little for the singular benefit of individual members. As such, they help

create a more managed non-domestic environment but, at the same time, one in which no specific political advantages are gained.

Finally, policy-related public relations activities were not found to be significantly related to overall average international sales. One reason for this may be that policy-oriented public relations may place the firm in the position of having to explain its political involvement to its customers and stakeholders. From the public's perspective questions may arise as to why the firm is actively involved in attempting to influence policy and the appropriateness of doing so. While the policy being advocated may be beneficial to the firm, it may be contrary to the attitudes of the public and, in turn, directly influence stakeholder perceptions. From a financial perspective the cost of the public affairs involvement should generate added value to the firm (albeit in many cases intangible). If it appears that the involvement will generate less than positive publicity and, more importantly, possibly alienate the public it should be avoided.

On the other hand, three individual level political activities were found to be related to firm's average international sales. These included lobbying, creating relationships with government agencies, and making political contributions to candidates. Lobbying, usually performed by a third party, allows an industry "expert" to focus directly on creating mutually beneficial relationships with policy makers while not directly involving the firm. Not only do the policy makers work with an experienced and knowledgeable advocate, they are also working with someone who understands the nuances of the political environment. At the same time, the third party lobbyist serves as a buffer between the firm and the elected representative should negative public relations and/or image issues emerge. In the international realm this relationship has been demonstrated by the lobbying efforts of U.S. firms in Europe to change proposed safety and environmental impact tests resulting in industry savings in excess of \$10 billion (Loewenberg, 2003).

Developing relationships with appropriate government agencies may be advantageous for a number of reasons. First, the agency may involve the firm in the actual interpretation of a given policy or regulation that directly impacts the firm, thus allowing the individual firm the advantage of helping to shape the regulation and being the first to understand and leverage the process to its exclusive benefit. Next, due to the relationship, the firm may be asked to test and evaluate the policy in terms of practical application (e.g., product modifications). Finally, the firm may be given an active role in

defining how the policy will be implemented (e.g., U.S. automakers' close relations with the Environmental Protection Agency in determining fleet MPG targets and implementation dates). In all of these cases, the positive relationship with the agency leads to a compelling competitive advantage for the firm.

The third significantly related activity is political contributions to candidates. While this might at first glance seem self-serving, it can also be viewed as maintaining business continuity. Assuming the existing official is viewed as adding value to the firm it may be more advantageous to support reelection than to have to start over again with a new individual. One of the characteristics of the U.S. political environment of particular concern to business is its inherent instability. The multi-layered nature of the U.S. political environment, the numerous elections, term lengths, term limits, etc. have the potential to create a very unstable political policy environment. Obviously, this instability can work in the firm's favor, if the elected official is perceived to have an agenda that is detrimental to the firm's goals leading the firm to contribute to the election of a candidate who has an agenda more in line with firm objectives.

Conclusions, limitations, and future research

The findings of this study provide a number of valuable strategy implications. From an exploratory perspective there appears to be a relationship between a firm's political activities and international performance as measured by average international sales. This is supported by previous domestically focused research which showed a significant relationship between a firm's level of experience and/or trust in political institutions and performance (Campbell, 2004). However, not all of the political activities were found to be significantly and positively related to performance. Given the financial costs and potential risks of incorporating political activities into the complete strategic mix, relative to their unique needs and goals, firms should consider the advantages of one political activity over the others both from the perspective of cost-benefit as well as from the perspective of the firm's areas of expertise relative to the political environment. This is especially true when budgets for such activities are finite. At the same time, management should consider developing integrated megamarketing strategies that profitably integrate the push activities of lobbying, relationship building with agencies, and political contributions. For example, does it make more sense to implement one activity at a given point in time or should all three be implemented at the same time? An additional consideration would be how to sequence the political activities.

In conclusion, there are additional issues that represent opportunities for future research. Some of these opportunities are the result of the limitations of this study: a U.S.-based sample and the inability to effectively separate firm-level political activities by individual country and/or region. In terms of future research, several avenues could be pursued. First, it is important to investigate the potential role of social desirability bias in defining and reporting political activities. It may be possible that respondents provided what they thought were “situationally appropriate” responses for their firms’ involvement in the specified political activities, particularly given the cultural bias in the U.S. against perceived business-government “collusion”.

Second, more in depth analysis is needed across each of the corporate political activities to better understand the effects of other related factors (e.g., antecedents, types, etc.) such as the length and intensity of the political activity. Third, future analysis should also focus on the size of the firm to ascertain whether some political activities are more profitable to smaller firms vis-à-vis larger ones, as well as the role of resources and in-house expertise in affecting public policy (cf. Peteraf, 1993). Finally, the role of politics, policy making, and firm performance in emerging markets, such as China and India, would be an important contribution to the existing literature base (Cao, 2004).

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